Dealings in "Options" and "Futures."

5-11-83

PROTESTS,

MEMORIALS AND ARGUMENTS

AGAINST BILLS INTRODUCED

IN THE

FIFTY-SECOND CONGRESS.

ISSUED BY

NEW YORK COTTON EXCHANGE,
NEW ORLEANS COTTON EXCHANGE,
BOARD OF TRADE OF THE CITY OF CHICAGO,
NEW YORK PRODUCE EXCHANGE

1892.

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NEW YORK, March, 1892.

TO WHOM IT MAY CONCERN:

In January, 1890, there was introduced into the House of Representatives by Mr. Butterworth, of Ohio, a bill taxing dealers in "Options" and "Futures" five cents per pound on cotton and all hog products, and twenty cents per bushel on wheat, corn, oats, barley and rye, which bill failed of consideration by the death of the 51st Congress.

In January, of the present year, bills of a similar nature were introduced into the House of Representatives by Mr. Hatch, of Missouri, and by Senator Washburn, of Minnesota, in the Senate.

Should any of these bills become law, the effect would be that all the Exchanges and Boards of Trade dealing in the articles mentioned, would be wiped out of existence, and a great injury would be done, not only to those bodies, but to the producers of the articles.

Inasmuch as we are in constant receipt of requests from all parts of the country for information on the subject, we have thought it advisable to compile this pamphlet. In doing this, we have necessarily been obliged to curtail some of the addresses delivered, but in doing so, we have endeavored to preserve everything that materially bears upon the subject.

NEW YORK COTTON EXCHANGE.
NEW ORLEANS COTTON EXCHANGE.
NEW YORK PRODUCE EXCHANGE.
BOARD OF TRADE OF THE CITY OF CHICAGO.

NEW YORK COTTON EXCHANGE.

PROTEST OF THE NEW YORK COTTON EXCHANGE AGAINST THE FOLLOWING BILLS: H. R. 2699, S. 685, AND S. 1268.

To the Hon. The Agricultural Committee of the House of Representatives:

By your courtesy, we appear before you as representatives of the New York Cotton Exchange to enter protest against the bill introduced into the House by Representative Hatch, of Missouri, which is known as H. R. No. 2,699; against the bill introduced into the Senate by Senator Washburn, of Minnesota, which is known as Senate Bill No. 685; also, against the bill introduced into the Senate by Senator Peffer, of Kansas, known as Senate Bill No. 1,268, the enactment of any one of which into law would result in the suppression of trading in this country in what is known as contracts for the future delivery of wheat, corn, oats, rye, barley, cotton, coffee, and all other farm products, also pork, lard and all other hog products.

The Bill introduced by Representative Hatch is almost identical with the bill introduced into the House in January, 1890, by Representative Butterworth, of Ohio, and imposes a licensed fee of $2,000 on all dealers for future delivery in any of the articles mentioned, and further, a tax of five cents per pound for each and every pound of cotton or of pork, lard and other hog products, and the sum of twenty cents per bushel for each and every bushel of the other articles mentioned.

The Bill introduced by Senator Washburn in the Senate imposes a license fee of $1,000, and the same tax as the Hatch bill.

The Bill introduced by Senator Peffer makes dealings of this character felonies, punishable by imprisonment of not less than two years, nor more than ten.

We beg to submit herewith a protest of Bank Presidents and Bankers of New York, by which it appears, that whatever the asserted evils may be, incident to this method of doing business, it affords a measure of security and protection to legitimate traders and capitalists, as well as to the producers of the articles named

and manufacturers, that is not to be disregarded. That the same machinery is made use of by speculators is freely conceded, but it is submitted that speculation is as old as commerce, and is as impossible of being stamped out as that commerce itself should be legislated out of existence.

While these bills do not pretend to be prohibitive, they nevertheless are so by reason of the enormous tax that is levied, the real purpose sought to be accomplished being, not the raising of revenue, but the prohibition and destruction of the system.

The advocates of the abolition of this method of doing business may claim that those engaged in this business are no better than gamblers, and therefore should be suppressed on the same moral grounds that any other vice should be, but when it is considered that scarcely a merchant in any of the great markets of the world, interested in either grain, hog products or cotton, but makes use of contracts for future deilvery of the various articles, and that, through their instrumentality, the crops are moved, whether as an incident thereto the system is also availed of by speculators or not, it hardly seems reasonable that this great class in the community, representing its industry and business sagacity, should be classed with gamblers, thieves and pickpockets, and be put under social and legal ban, in company with them, by the first law making power of the nation.

There are at present in warehouse, in the City of New York, nearly 400,000 bales of cotton representing $16,000,000 of value, which is owned by merchants and bankers, and against which, it is fair to assert, there are outstanding contracts for delivery in the future for at least 300,000 bales, if not more. The same statement holds true of the City of New Orleans, where there is a stock of nearly 500,000 bales. To say, therefore, that a class of men who absorb, provide for and take care of this amount of property are an injury to the producers, would seem to be too absurd to be seriously considered for one moment.

Some of the advocates of the destruction of this system avow that their only purpose is to stop "short selling," apparently overlooking the fact that there are always two parties to a transaction, the resisting force of the one being quite as great as the other, so that the influence exerted by "short selling" is little or nothing.

The great law of supply and demand regulates values of everything and is no more to be resisted than the tides of the ocean. A short seller in making his engagements will either derive profit or

suffer loss as the ultimate facts prove him to be right or wrong. If there is more of any article than the world needs for the time being, the price will decline. If there is less than the world needs, the price will advance and no legislation under heaven will prevent this inexorable law from operating whether a man sells what he does not possess in the hope of securing it at a later period at a less price or not. This being so, to abolish the system would be of no advantage to those who falsely imagine that it might be, but on the contrary, would tend to leave them at the mercy of buyers for actual consumption only, and at a time when their stocks and supplies are the greatest. The further effect would be, that fluctuations in the value of all of these articles would be much more violent than is now the case, which assertion finds corroboration in the statistics of years when the system of trading for future delivery was not in existence. At that time, it was no unusual thing for cotton to fluctuate ten cents per pound within a crop year, whereas now it rarely exceeds two or three cents per pound.

There might be some force in an argument, that a small portion of the community were engaged in a business that resulted in severe damage to another, and by far larger portion of the community, if it were true. But it is not true. Any reasonable man must concede that supply and demand regulate values, and that individual effort against this great law means destruction to the individual.

It would seem almost unnecessary to present to you any of the numerous illustrations of the uses to which this system of trading is put by conservative merchants and bankers for the reason that, should any of these measures become law, none of the benefits expected by their advocates would be realized; still, in view of the asserted viciousness of the system, it is but proper that some of its beneficent workings should be called to your attention.

It acts and is used as an insurance against loss to a very large extent. The common method pursued by exporters in the early part of the season is to enter into engagements with England and the continent for the delivery there of very large quantities of cotton, the price of which is fixed, based upon the rate at which they can contract for cotton in New York, plus charges for freight, commissions, etc. When the crop begins to move, these exporters, who have practically no interest other than to secure the requisite quantity and quality of cotton that they have sold, having bought and sold the same quantity, begin buying in the South such grades

or qualities of cotton as they require, and as they buy in the South, they make a sale contract in New York corresponding in all respects to the previously executed purchase contract; the result is they have fulfilled their obligation to Europe made months before, without any of the risk of either an advance or decline in the price between the time of contracting with Europe in the Summer and Fall, and the making of the shipment in the later Fall or Winter.

Large quantities of cotton are also bought by Liverpool merchants and stored in Liverpool, with contract sales against such purchases, in the same manner as is done in New York and New Orleans. The fact that the cotton is already sold and is therefore not subject to the risks of markets lends security to bankers in the handling of bills of foreign exchange drawn against shipments. A bill of exchange drawn upon a merchant in Liverpool for a cargo of cotton that has already been sold is a very much safer bill of exchange to buy than one drawn against a shipment of cotton against which there has been no sale, the market value of which upon its arrival may be materially lower than at the time of its purchase.

Again, manufacturers in this country are continually making contracts for the delivery of goods sometimes extending over a period of months or even a whole year. Contracts for future delivery of cotton are made use of to a great extent by them to insure the requisite amount of raw material at a fixed price to carry out the contracts entered into for goods.

Again, country merchants in the South furnish to planters supplies of meat, corn, provisions and fertilizers, upon an agreement that they shall be paid therefor in a stipulated number of pounds of cotton per pound of meat or ton of fertilizers when their cotton crop is made. These merchants, to no small extent, make use of contracts for future delivery of cotton for the disposal of the cotton which will come into their hands in payment of the supplies they have furnished, and, knowing just how many pounds they are to receive and at the same time having made a contract for its sale, they thereby fix the profit they are to make on the fertilizers and provisions they have so supplied to the planters.

It will therefore be seen that the legitimate uses to which this system of trading is put are of wide ramifications and of great benefit, that it is a system of business, so interwoven with the commerce of the country and the world, that to abolish it would be the doing away with one of the most sensible and reasonable evolutions of modern trade.

Another important feature for your consideration is the fact that this method of trading is not confined to this country, but is in operation in all the great mercantile countries of the world.

The passage of such bills as these would put this country out of harmony with the rest of the world with which it deals, and would greatly inure to their benefit and correspondingly operate to our disadvantage.

The world is not going to cease trading and speculating in the great staples in deference to any sentimental idea, and if it cannot be done in New York, New Orleans, Chicago, Milwaukee, St. Louis and San Francisco, it will be done where no such absurd notions exist, and particularly, by that country, insignificant in area compared with our own, that has nevertheless built up and maintained a commercial supremacy in the world that no other country approaches. The enactment of such bills as these would tend to still further build up her commerce and pull down our own, with no resulting benefit to those who are striving to bring this thing about.

The newspapers of the land may differ on many points, but as a class, the men who edit the great papers are men who have the best interests of the country at heart; almost without exception, during the agitation on this subject two years ago, they wrote in condemnation of the proposed legislation. They maintain the same attitude to-day. Such evidence as this is hardly to be disregarded, but if it were, and if all that has been said should be brushed aside, the single practical illustration of an effort in this same direction by Congress, is to be cited. That effort was to stop trading in gold. The effect of that law, which had an existence of only about a week, and which Congress hurriedly repealed, was exactly the reverse of what was sought to be accomplished. Instead of lowering the price of gold, the price advanced rapidly from 220 to 285, and upon the repeal of the law, about as rapidly declined.

Such a single experiment as this ought to be enough to satisfy any political economist that legislation cannot make or unmake prices.

CHARLES W. IDE,
JAMES O. BLOSS,
WM. RAY,
HENRY HENTZ,
SIEGF. GRUNER,
Committee, New York Cotton Exchange.

Address of Mr. James O. Bloss, Vice-President of the New York Cotton Exchange, delivered before the Committee on Agriculture of the House of Representatives, February 9th, 1892, in opposition to H. R. 2699, taxing dealings in "options" and "futures."

The advocates of these bills assert that supply and demand have nothing to do with the case; that such arguments are nonsense.

If this is so, then many men of great minds have wasted lives of thought.

It might also be worthy of consideration, conceding for argument's sake, the effect of "short selling" invariably to be that of reducing prices; how it is that during a period of over twenty years, prices of all articles traded in for future delivery have not reached zero?

Another reflection:—

Before the days of "futures" was there a fixed and unalterable price for everything, or if there were fluctuations, were they always advances? Were there no seasons of depression in values? Did not cotton between 1831 and 1848 sell in four seasons as low as five cents in New York, two seasons as low as six cents, and five seasons as low as seven cents; also in two seasons during the same period as high as twenty cents, one season at seventeen cents, and another at sixteen cents?

Are there not ruinously low prices experienced in articles not dealt in on Exchanges? Has not coal and iron declined to such prices that mines have stopped work and furnaces gone out of blast?

If there is such power of making low prices by short selling, why does the decline stop short of zero? Why is there ever an advance? You know there are alternate advances and declines, else zero would be reached?

If, therefore, notwithstanding the "short-seller" does not bring zero, and in spite of him advances do occur, and notwithstanding declines do take place in articles not traded in on Exchanges, is it fair, is it honest, to assert that the cause of declines is by reason of any particular system of trading?

The arguments of some would indicate that they believe it does not take two parties to make a trade; that a trade can be by a seller

alone, no buyer; that the wind man sells, sells, sells, with no one who buys. They either know this is not so, or they know too little to be listened to.

For every sale there is a purchase, and the man that sells short experiences his mistake, and pays the penalty quite as often as the man who buys.

The man who sells wind often finds that he has a whirlwind as a result, and the answer to the contention that the wind seller absorbs all the buyers so that the next legitimate seller finds no buyer, is answered by the statement that the supply of additional sellers for additional buyers is just as much exhausted as that the supply of additional buyers is exhausted.

Another point that I wish to call to your attention is the use of the word "Margin." The significance that is attached to this word apparently in the minds of many is nothing more or less than the chip that is placed upon the roulette table, and that when the wheel stops, the chip is scouped in by the dealer. The fact is it differs in no respect from the earnest money deposited by a buyer as binding a transaction made in real estate. In probably the majority of transactions made in contracts for future delivery, no margin is deposited either by the buyer or the seller, owing to the commercial standing and responsibility of the parties to the contract.

Margins are deposited to no small extent, however, as the fluctuations of the market after the contract has been entered into may warrant. As an illustration: If I buy a thousand bales of cotton for delivery next August at 7½ cents, and if for any cause between now and next August the market for those deliveries should advance to ten cents, I am by no means sure that the party who has sold me this cotton will be able to fulfill his obligation when it becomes due; and in order to protect myself against the possibility of his inability to do so, I will call upon him to put into the hands of a third party, namely, a Bank or a Trust Company, a sum of money that shall equal the difference between the price at which I have purchased and the current market price.

Should the market thereafter again decline to the price at which I bought from him he would be entitled to have this money returned to him by the Trust Company, and it would be so returned. Should the market maintain its advance up to the day of the fulfilment of the contract the margin would remain in the Trust Company; and after he had completed his contract with me, this money that he had so deposited would then be again returned to him.

This explanation is made simply that you may appreciate that "margin" does not mean "bet." It does not mean that a man's responsibility ends with the amount that he has deposited. It is simply a pledge that he will fulfill the engagement that he has entered into; and when he has fulfilled that engagement, he has returned to him that which he has pledged.

I also wish to offer a brief reply to a question that was propounded yesterday a number of times; namely, what possible advantage is there in a future sale to the producer?

There are individual illustrations that would show that there are advantages if he is a good judge of probable future values that he might avail of if he saw fit; but it is not by such illustrations that the answer is best made, for it might be claimed that they never are availed of by the producer; and therefore the reply must be on general broad principles.

The advantage to the producer is this. The surplus of all products must of necessity be taken care of by the capital of the world, pending the time when that surplus is needed. Now, capital will only take care of surplus after it has reached a point that it is only a question of waiting long enough for some radical change to overtake the world, for it to secure a handsome profit for the risk that it has assumed. Assuming, therefore, that it is of advantage to a producer that the thing that he produces shall not sink to such a low level as this state of things calls for, the advantage that he derives is, that this system prevents that degree of depression that otherwise would take place in the articles that he produces.

How is it that it prevents this extreme depression? It is prevented because human nature is always hopeful. Human nature is disposed the world over to be "bullish;" notwithstanding the fact that it is widely claimed that there are more "bears" than "bulls." The result of it is that, after the article has made a moderate decline there are scores of people who believe that it is time for an advance. These men constitute a buying power. They come in to the various markets and buy these articles for future delivery at a price that enables the capitalist to make the contract with them and buy the actual stuff and hold it against the day of maturity. The effect of this is that the weight of the surplus of the world is lifted off the immediate market; and while these buyers may be only temporary buyers and they may shift their responsibility from one to another, back and forth, still there is this great mass of property that is paid for and taken out of the way until it is wanted. It makes room for

the man who has further actual stock to sell to come into the market and find his buyer.

This is the reason that New York is said to be no market for actual cotton. It is because New York carries an immense quantity of this surplus stock, and does not undertake to market the cotton until after the supplies that are continually coming in have passed out of sight. This it seems to me is no small advantage to a producer.

Another feature for your consideration is that this system of trading was the outgrowth of an evolution of trade. Before the New York Cotton Exchange was organized or incorporated, cotton in large quantities was placed upon vessels at the ports from which the vessels sailed, with the cotton unsold. Samples of these cargoes would be sent to New York and would be sold over and over and over again while in transit, and these samples would never be sent forward until just in time to reach their proper destination by the time of the arrival of the vessel.

Contracts also were entered into between dealers for cotton to arrive, or for cotton upon the spot the delivery of which should be delayed ten, fifteen, or twenty days as the case may be, in order to admit of the buyer being able to turn it over at a profit or a loss before the time of its being received had expired.

The organization, by-laws and rules of the Cotton Exchange were the outgrowth of the necessity of some kind of government of the large transactions that were being made respecting which controversies or disputes were continously arising, and which had to be individually settled in various and inconvenient fashion. Rules, therefore, were adopted, forms of contract, methods of delivery, and all those details arranged by which all members of the organization should be governed ; and while possibly it may appear singular that the proportion of reported transactions in actual cotton is so small in comparison with the volume of future transactions, it is to be borne in mind that a great deal of actual cotton is sold that is never reported ; while every shifting of interest by the traders in the future market is recorded ; and it would be no unfair illustration to state, that where I, as an importer from the South to New York, might buy a hundred bales of actual cotton and make a contract for its future delivery, that the contract which I sell as a hedge might easily be shifted from the shoulders of the buyer from me to ten other shoulders before the date of delivery ; and therefore to say because the shifting process has taken place nine times or a hundred

times before it reaches a resting place, that these multiplied transactions are not genuine, cannot be enforced and are not enforced, is stating something that is not the fact.

Every man who makes a contract is absolutely obliged to make a delivery or find some one to make it for him ; and every man who buys a hundred bales of cotton is bound to receive it and pay for it, or shift it on to somebody else who will.

Were there never any call for a delivery, were these transactions all settled either at maturity or before, how is it that New York should be carrying a stock of nearly 400,000 bales of cotton. The people that buy these contracts have a practical experience that there are deliveries made. 60,000 bales of actual cotton have been tendered in a single day, taken up and paid for, as one firm in the New York market found to its sorrow.

Speculation doubtless exerts a passing influence upon values but it is just as likely to be for an advance as for a decline, and is really no more than the fly upon the wheel that rides along with the vehicle that is moving.

It would seem that those who oppose this system of trade would have no objection to future contracts being made to the extent of any crop that is grown, but when a volume is reached that equals the crop, it must there stop. This proposition would appear so absurd that it is hard for it to be discussed. You might as well say that the product of a mill when it is sold to a jobber should go no further ; and were this to be the rule of trade carried to its ultimate conclusion, it would be absolutely necessary that every producer must find an actual consumer, and that the transactions of the world shall be restricted to these two classes of the community.

This world has grown too large to permit of the necessities of life passing from producer to consumer without the interposition of intermediate men, and after all has been said, the merchant, broker, speculator, banker and railroad, are all in the same boat, and all contribute to the movement from the first man to the last man.

Your honored chairman, yesterday, suggested to the speaker that it was farthest from any desire of his that the operations of the proposed bill should in any way hamper or restrict legitimate transactions. Who shall divine what is legitimate and what is illegitimate? I am sure I will not undertake to do it. But conceding the definition of illegitimate to be anything that any one wants to make it, I maintain that the legitimate and illegitimate are so closely interwoven that one cannot be destroyed without destroying the

uses to which the other is put; and to say therefore that, such being the case, the legitimate shall suffer death together with the illegitimate is only another way of saying that because whiskey is made from corn, therefore no corn shall be grown in this country.

Address of Mr. James O. Bloss, Vice-President of the New York Cotton Exchange, delivered before a Sub-Committee of the Judiciary Committee of the Senate, in opposition to the Anti-Option Bills, on Monday, February 16th, 1892.

The New York and New Orleans Cotton Exchanges appear before you, notwithstanding the elimination of cotton from the second Washburn Bill, for two reasons:

1. Because you may have to consider a bill of similar purport introduced in the House of Representatives by Mr. Hatch, which includes cotton, and

2. Because we are opposed, on principle, to legislation of the character proposed.

The illustrations of the beneficent uses to which this system of trading is put, in the legitimate commerce of the world, have been sufficiently laid before you, and I shall therefore not burden you further in that direction.

The advocates of the suppression of this method of trading claim, by reason of its volume and the facility it affords to persons of very small means, of becoming factors in the various markets, particularly in grain in Chicago, that the effect is to depress prices; also that the bent of mind of speculators is toward a low range of values rather than toward a high range, that Chicago makes the prices of wheat, corn and hog products, and that in so making them the producer suffers.

This in brief is the claim. The chief advocate of the enactment of these bills looking to the suppression of future trading freely asserts that he has for a number of years been studying the question, and being unable to account for the change in level of values that has come over the markets of the world, he assumes or concludes it is this system of trading that has brought it about. He is not quite sure that tariffs or silver may not have had something to do with it, but being a protectionist he does not think tariff has had much to do with it. I don't recall what his conclusions were as to the effect of the demonitization of silver, but after many statistics and failing to find a solution of the problem, he concludes that low prices are

caused by the system of trading for future delivery, which, by the facility it affords to speculation, produces an enormous volume of transactions with a preponderance of traders of a pessimistic turn of mind, who override supply and demand, produce an inexhaustible supply and a corresponding depression of values. I am not a person that has made much of a study of political economy, but it does seem to me that if this proposition is true it is a little singular that during the period of over twenty years that this method of trading has been in vogue, prices of the articles so traded in have not fallen to nothing, that there should ever have been any advances.

If the tendency is to continued reduction of prices, why is it that articles not so traded in also suffer declines, proceeding at times so far as to stop production?

I do not pretend to be able to account for the economic changes that may have taken place, but I do *not* believe that it is due to the cause claimed by the advocates of these bills. The speculator, whether he be a man of large means or small, bold or timid in his operations, whether he be a "short seller" or whether he simply sells against actual product, is governed in his actions solely by his belief respecting the relation of demand to supply.

The same men that, believing supply is too great for the demand will sell short large quantities, will with a contrary belief buy equally large quantities. If they are wrong in their belief they can no more overcome the assertion of facts against them than can be the tides of the ocean resisted; their attempts may, for a time, be influential enough to make it seem that the great natural laws do not obtain, but it is only for a time; the movement in the direction of assertion of proper equilibrium being all the more energetic by reason of the temporary hindrance that may have been interposed; they watch every possible happening or event that can in any way bear upon the question of values with the greatest possible interest; brute force does not accomplish much in establishing values, and no man or combination of men can stand under wheat or any other produce and hold it above its equilibrium any length of time, any more than can any man or combination of men maintain a price below a proper equilibrium if that subtle force of consumption proves there is less than is needed.

Those of us who have spent our business lives under this method of trading, assert that less violence is experienced in establishing equilibrium of values than was the case prior to the inauguration of the system, and that statistics prove this to be the case; that

whatever may be the cause that has produced a change of level of value, that cause is not this or any other system of trading.

Assuming for argument's sake, that this view of the proposition is correct, that buying and selling for future delivery is not the hidden cause of the misfortune complained of, can it be possible that Congress will enact a law, abolishing a system of trading that was the outgrowth of necessity, begotten of the telegraph and cables, and which is made use of as an insurance against loss, and for the purpose of eliminating speculation from legitimate transactions by almost every one, if not every one, who takes part in the moving of the products of this country from the producer to the consumer?

This legitimate use is enormous and conceding that the speculative use is also enormous, can it be that because it is asserted that the speculative influence is bad, which I do not concede, that therefore the good must go with the bad? You cannot define the one in such a way as to abolish it and leave the other; if you legislate one out of existence you legislate the other out at the same moment.

It may possibly be that the assertion is true that this method of trading is the root of the evil, but if it is, we maintain that that fact has not been proven. If it is believed by you that such is the case, we insist that it is due to us as representatives of legitimate commerce that such investigation be made by Congress, by the appointment of a commission to inquire into the cause of depression in values of farm products, that the truth may be developed, and that after that, should it appear that we are wrong in our contention, and that the advocates of the suppression of this method of trading are right, whatever the law may be that is enacted, it shall not go into effect earlier than one year after its passage.

Any other course would be productive of results that are hardly to be measured.

We leave our case in your hands with feelings of grave apprehension, trusting that a judgment will not be rendered without that careful deliberation that the seriousness of the subject demands.

COMPARATIVE VALUES OF MIDDLING UPLAND COTTON

in Liverpool and New York, at the times of lowest prices in New York in the years 1844, 1845, 1848 and 1892, making allowance for difference in freight charges and an average mail date equivalent of 35 days later than Liverpool date for the New York date. Exchange 4.85.

Date.	Liverpool Price.	Freight.	Liverpool Price, Freight Paid.	Equal American Money.	New York Price.	Difference or Shipping Margin.
Nov. 25, 1844..	$3\frac{7}{8}$d.	$\frac{3}{8}$d.	$3\frac{1}{2}$d.	$7\frac{1}{16}$c.	$5\frac{3}{16}$c.	$1\frac{7}{8}$c.
Feb'y 7, 1845..	$3\frac{7}{8}$d.	$\frac{3}{8}$d.	$3\frac{1}{2}$d.	$7\frac{1}{16}$c.	$5\frac{9}{16}$c.	$1\frac{1}{2}$c.
April 7, 1848..	$4\frac{1}{8}$d.	$\frac{5}{32}$d.	$3\frac{31}{32}$d.	8 c.	$5\frac{7}{8}$c.	$2\frac{1}{8}$c.
March 3, 1892..	$3\frac{3}{4}$d.	$\frac{5}{32}$d.	$3\frac{19}{32}$d.	$7\frac{7}{16}$c.	$7\frac{1}{16}$c.	$\frac{3}{8}$c.

This statement is remarkable in two respects :

1. The enormous margin required in the past by the cotton merchant to protect himself against a decline, as compared with the present, when he can protect himself by selling for future delivery.

2. The wide fluctuation in that margin, ranging from $1\frac{1}{2}$c. to $2\frac{1}{8}$c., showing the lack of stability in values.

It is also a well known fact in the cotton trade, that, during the years of low prices cited, cotton in the Southern ports sold for less than 4c. per pound, while now, with the same or lower range of prices current in Europe, it is bringing 6c. per pound in the South.

NEW ORLEANS COTTON EXCHANGE.

PROTEST OF THE NEW ORLEANS COTTON EXCHANGE AGAINST THE PASSAGE OF THE WASHBURN BILL.

To the Honorable the Senate of the United States of America:

The New Orleans Cotton Exchange, a corporation established in the year 1871 in the city of New Orleans under the laws of the State of Louisiana, through its committee, respectfully protests against the passage of S. Bill 685, a bill defining "options" and "futures," and imposing special taxes on dealers therein, and for other purposes. This Exchange has a membership of over 300, and is composed of commission merchants who sell cotton for planters, of exporters who buy cotton for spinners and merchants in Europe, of merchants who buy cotton for spinners in the United States, of bankers through whom all bills of exchange drawn against cotton are negotiated, of ship agents who represent the great fleet of steamers and sailing vessels by which the cotton is carried abroad and to domestic ports, of insurance agents who arrange the insurance on the bulk of the cotton seeking a market through this port, of cotton brokers, expert judges of the raw material, who buy the cotton from representatives of the planters for the merchants who ship to Europe and to American spinners; of future brokers who buy and sell contracts for forward delivery for account of members of the Exchange and for merchants and spinners in Europe and the United States; indeed, of all who are in any way connected with the vast movement of cotton through this and other ports in this country. And it may be well to state that the Exchange, as a corporation, never has an interest in any cotton sold either for immediate or future delivery, and that many of its members never deal in contracts for forward delivery, their particular branch of the cotton business not necessitating such transactions.

This committee submits that there is a vast difference between the transactions designated in the bill as "options" and those designated as "futures." The former are commonly known as "puts" and "calls," and are nothing more or less than wagers. Such transactions are not now, nor have they ever been, recognized

by the New Orleans Cotton Exchange, and, to the extent that the bill imposes a license on dealers in "options," as described above, and a tax on transactions therein, this Exchange enters no objection.

"Futures," as defined in the bill, refer to transactions which are known to the New Orleans Cotton Exchange as "contracts for forward delivery." These contracts, as dealt in on the floor of the said Exchange, contain nothing that partakes of the nature of a wager, nor do they contain any provision for the settlement of differences as between the contracting parties, according to fluctuations in the market at any time between the date of the contract and its maturity. On the contrary, the rules of the Exchange provide that "all contracts for the future delivery of cotton shall be "binding upon members and of full force and effect until the "quantity and qualities of cotton specified in such contracts shall "have been delivered, and the price specified in said contracts "shall have been paid. Nor shall any contract be entered into "with any stipulation or understanding between parties, at the "time of making such contract as specified in rule 1, that the terms "of said contract are not to be fulfilled, and the cotton received "and delivered in accordance with said rule." The foregoing quotation is an extract from rule 27 of the rules of this Exchange, and the rule 1 therein referred to, provides the form of contract under which all sales for forwarded delivery are made. For greater clearness the form of contract is here inserted:

FORM OF CONTRACT.

RULE 1. No contract for the future delivery of Cotton shall be noticed in any public report or printed circular, or in any manner recognized, acknowledged, or enforced by the Exchange, or any committee or officer thereof, unless both parties thereto shall be full members of the New Orleans Cotton Exchange; it being provided, however, that where contracts are issued by firms composed of two or more partners, at least two of said partners shall be full members of said Exchange.

The contract shall be in the following form, to-wit:

CONTRACT A.

Office of...

New Orleans,..............................188

Bought for M...

of M..

50,000 lbs., in about One Hundred Square Bales Cotton, growth of the United States, deliverable from Press or Presses in the Port of New Orleans, between the first and last days of....................next inclusive. The delivery within such time to be at seller's option, in lots not less than fifty bales upon five days' notice to buyers. The Cotton to be of any grade from Good Ordinary to Fair, inclusive, and, if stained, not below Low Middling, at price of..............cents ( ) per pound for Middling, with additions or deductions for other grades, according to the quotations of the New Orleans Cotton Exchange existing on the sixth (6) day previous to the day on which the delivery is due.

Either party to have the right to call for a margin, as the variations of the market for like deliveries may warrant; and which margin shall be kept good.

This contract is made in view of, and in all respects subject to the rules and conditions established by the New Orleans Cotton Exchange.

Respectfully,

....

Per.....................

It will be seen from the above that actual quantities, actual descriptions, and actual prices are provided for; also the dates at which the deliveries shall take place, and nothing is contained bearing the slightest reference to any settlement of differences, or to any wagering feature. In the event of the failure of any member to fulfil his contracts at maturity, his connection with the organization would at once be at an end. The committee is of the opinion that the foregoing clearly demonstrates that the contracts dealt in in the New Orleans Cotton Exchange are legitimate; that they are untainted with any element of wagering, and the parties thereto enter into same with no mental reservation or understanding that the terms of the same are not to be carried out in good faith in every particular.

The committee is aware that a belief obtains in many quarters that dealings in contracts for future delivery depreciate the value of the article dealt in, and that, therefore, they should be, as far as possible, suppressed. So far as cotton is concerned, and to this article alone is this argument addressed, we are of the opinion that so far from depreciating value, the existence of contracts for future delivery serve rather as a restraint to serious declines in times of depression.

The system of dealing in contracts for the future delivery of cotton was inaugurated in New York in 1871, in New Orleans in 1879, and in Liverpool somewhere about the same time. If stability of value is a desideratum, we claim that it has been more nearly obtained under the modern than under the older method. It is beyond question that since the inauguration of this system the fluctuations in the price of cotton have been less violent than they were under the old regime ; and in support of this statement reference is invited to the annexed table, which shows the price of middling cotton in the Liverpool market since the season of 1842–43. The period embraced covers fully the fluctuations under both systems. As prices in America were largely influenced from the breaking out of the war down to the resumption of specie payments in 1879 by the fluctuations in the price of gold, the Liverpool price in pence sterling is a truer index of the actual value of cotton at any given date than would be the prices in America before gold and greenbacks came to a level, it being remembered that cotton was always sold in America from 1862 to 1879 for greenbacks, and not for gold.

PRICE OF MIDDLING ORLEANS IN LIVERPOOL, IN PENCE STERLING.

Season.	Highest.	Lowest.	Season.	Highest.	Lowest.	Season.	Highest.	Lowest.
1842–43....	5·12	4·00	1859–60....	7·37	5·75	1876–77....	7·31	6·00
1843–44....	5·87	4·50	1860–61....	10·12	6·50	1877–78....	6·87	6·00
1844–45....	4·37	4·00	1861–62....	25·25	10·12	1878–79....	7·31	5·25
1845–46....	5·25	4·12	1862–63....	27·75	21·00	1879–80....	7·62	6·75
1846–47....	7·25	5·75	1863–64....	31·75	26·50	1880–81....	7·43	5·81
1847–48....	5·75	3·62	1864–65....	27·50	18·50	1881–82....	7·37	6·43
1848–49....	5·50	3·37	1865–66....	25·00	12·25	1882–83....	7·12	5·56
1849–50....	7·62	6·12	1866–67....	15·75	9·00	1883–84....	6·56	5·87
1850–51....	7·75	4·62	1867–68....	12·87	7·37	1884–85....	6·25	5·56
1851–52....	5·87	4·62	1868–69....	14·00	10·50	1885–86....	5·62	4·75
1852–53....	6·25	5·43	1869–70....	12·62	7·75	1886–87....	6·00	5·19
1853–54....	6·00	5·06	1870–71....	9·75	7·50	1887–88....	6·00	5·18
1854–55....	6·62	5·00	1871–72....	11·81	9·62	1888–89....	6·81	5·43
1855–56....	6·37	5·50	1872–73....	10·50	9·00	1889–90....	6·75	5·62
1856–57....	9·25	6·37	1873–74....	9·37	8·18	1890–91....	5·81	4·50
1857–58....	9.25	6·31	1874–75....	8·37	7·18	....	......	......
1858–59....	7·38	6·75	1875–76....	7·37	6·00	....	......	......

A glance at the above table will show that the fluctuations in ante bellum times, when the system for selling for forward delivery had not been instituted, and when, in fact, it was unknown, were much more violent than since 1871, when this system was first inaugurated. It may not, however, be out of place to call attention to the prices and fluctuations which obtained in the New Orleans cotton market from the season of 1842–43 to that of 1850–51, as exhibited in the following table:

PRICE OF MIDDLING COTTON, IN CENTS PER POUND, IN NEW ORLEANS DURING SEASONS 1842–43 TO 1850–51, BOTH INCLUSIVE.

Close week ending	1842–3	1843–4	1844–5	1845–6	1846–7	1847–8	1848–9	1849–50	1850–1
September 3	6 @ 6¼	5¾ @ 6¼	6 @ 6¼	----------	----------	10¾ @ 10⅞	----------	----------	12½ @ 12¾
“ 10	7¼ “ 7½	7¼ “ 7½	6¼ “ 6½	6½ @ 7	----------	10¾ “ 10⅞	----------	9¼ @ —	12½ “ 13
“ 17	7 “ 7¼	7¼ “ 7½	6 “ 6½	6½ “ 7	----------	10¼ “ 10½	5⅝ @ —	9¾ “ —	12½ “ 13
“ 24	7 “ 7½	7 “ 7½	6 “ 6¼	6½ “ 7	----------	10¼ “ 10½	5⅝ “ —	10¼ “ —	12¼ “ 12¾
October 1	6¾ “ 7	7 “ 7½	5¾ “ 6	6⅞ “ 7⅛	8¾ @ 9	10 “ 10¼	5½ “ —	10⅛ “ —	12¾ “ 13¼
“ 8	6 “ 6½	7 “ 7½	5½ “ 5¾	7¼ “ 7⅜	9 “ 9⅛	10 “ 10¼	5⅜ “ —	10 “ —	13⅜ “ 13⅝
“ 15	6 “ 6¼	7 “ 7½	5⅜ “ 5⅝	7¼ “ 7½	9¼ “ 9½	9⅛ “ 9⅜	5⅜ “ —	9¾ “ —	13⅛ “ 13⅜
“ 22	5¾ “ 6	7 “ 7½	5⅜ “ 5⅝	7¼ “ 7½	9 “ 9¼	8⅛ “ 9	5¼ “ —	9⅜ “ —	13⅜ “ 13½
“ 29	5¾ “ 6	6¾ “ 7¼	5⅜ “ 5⅝	7¼ “ 7½	8¾ “ 9	7¼ “ 7⅜	5¼ “ —	10⅛ “ —	13¼ “ 13⅜
November 5	5¾ “ 6	6¾ “ 7	5⅛ “ 5½	6⅞ “ 7	9 “ 9¼	7⅛ “ 7¼	5⅛ “ —	10¼ “ —	13¼ “ 13⅜
“ 12	5¾ “ 6	6¾ “ 7	5⅛ “ 5½	6⅞ “ 7	9 “ 9¼	7 “ 7⅛	5 “ —	10⅜ “ —	13 “ 13¼
“ 19	5¾ “ 6	6¾ “ 7	5 “ 5¼	6⅞ “ 7	9⅛ “ 9⅜	6⅛ “ 6⅜	5 “ —	10¼ “ —	13⅛ “ 13⅜
“ 26	5¾ “ 6	7⅛ “ 7⅜	5 “ 5¼	6⅝ “ 6¾	9 “ 9¼	6¾ “ 6⅞	5¼ “ —	9⅞ “ 10⅛	13⅛ “ 13⅜
December 3	5¾ “ 6	7⅛ “ 7⅜	4¾ “ 5¼	6½ “ 6⅝	9 “ 9¼	6¾ “ 6⅞	5¼ “ —	10⅛ “ 10¾	13 “ 13¼
“ 10	5½ “ 5¾	7¾ “ 8¼	4¾ “ 5¼	6⅝ “ 6¾	9 “ 9¼	6½ “ 6⅝	5⅜ “ —	10¼ “ 10½	12⅞ “ 13⅛
“ 17	5½ “ 5¾	8½ “ 9	4¾ “ 5¼	6⅞ “ 7	9⅛ “ 9¼	6½ “ 6⅝	5⅜ “ —	10⅛ “ 10⅜	12⅜ “ 12⅝
“ 24	5½ “ 5¾	8½ “ 8¾	4½ “ 5	6⅞ “ 7⅛	9¼ “ 9⅜	6½ “ 6⅝	5½ “ —	10 “ 10¼	12½ “ 12¾
“ 31	5¼ “ 5½	8¾ “ 9	4½ “ 5	7 “ 7⅛	10 “ 10¼	6½ “ 6⅝	5⅝ “ —	10¼ “ 10½	12¾ “ 13
January 7	5¼ “ 6	8½ “ 9	4⅜ “ 4¾	6½ “ 6⅝	9¾ “ 9⅞	6⅝ “ 6¾	5⅞ “ —	10⅜ “ 10⅝	12⅞ “ 13⅛
“ 14	5¼ “ 6	8¼ “ 8⅝	4⅝ “ 4⅞	6½ “ 6⅝	10 “ 10¼	6⅝ “ 6¾	6⅛ “ —	10¾ “ 11⅛	12½ “ 12¾
“ 21	5⅜ “ 5¾	8½ “ 9	4⅝ “ 4⅞	6½ “ 6⅝	10⅛ “ 10¼	6⅝ “ 6¾	6⅜ “ —	11 “ 11⅜	12⅜ “ 12⅝
“ 28	5¼ “ 5½	8½ “ 9	4¾ “ 5	6⅜ “ 6½	11⅛ “ 11⅝	6⅝ “ 6¾	6⅜ “ —	11¼ “ 11⅝	12 “ 12⅜
February 4	5 “ 5½	8¾ “ 9⅛	4⅞ “ 5⅛	6⅜ “ 6½	— “ —	6¾ “ 6⅞	6⅜ “ —	11⅛ “ 11½	11⅜ “ 11¾
“ 11	5 “ 5⅜	8½ “ 8¾	5 “ 5¼	6½ “ 6⅝	10½ “ 10⅝	6¾ “ 6⅞	6¼ “ —	11⅛ “ 11½	11 “ 11⅝
“ 18	5 “ 5¼	8½ “ 8¾	5 “ 5¼	6⅝ “ 6¾	10¼ “ 10⅜	6⅝ “ 6¾	6¼ “ —	11 “ 11¼	10½ “ 11
“ 25	5 “ 5¼	8⅝ “ 8⅞	5 “ 5¼	6½ “ 6⅝	9⅜ “ 9½	6⅝ “ 6¾	6¼ “ —	11¼ “ 11½	9½ “ 10⅛
March 4	4½ “ 4¾	8¼ “ 8⅝	5¼ “ 5⅜	6½ “ 6⅝	9½ “ 9⅝	6⅝ “ 6¾	6¼ “ —	10⅞ “ 11⅛	9½ “ 10⅛
“ 11	4¾ “ 5⅛	7⅞ “ 8⅛	5¼ “ 5⅜	6⅝ “ 6¾	10⅜ “ 10½	6¾ “ 6⅞	6⅜ “ —	10¾ “ 11	9½ “ 10¼

PRICE OF MIDDLING COTTON, IN CENTS PER POUND, IN NEW ORLEANS DURING SEASONS 1842–43 TO 1850–51, BOTH INCLUSIVE.—*Continued.*

Close week ending		1842–3	1843–4	1844–5	1845–6	1846–7	1847–8	1848–9	1849–50	1850–51
March	18	4⅞ @ 5¼	7⅝ @ 8	5½ @ 5¾	6¾ @ 7	10½ @ 10⅛	6¾ @ 7	6⅜ @ —	10½ @ 10⅞	10½ @ 11¼
"	25	4⅞ " 5¼	7⅝ " 8	5⅜ " 5⅝	6⅞ " 7⅛	10½ " 10⅝	6⅝ " 6⅞	6⅜ " —	10½ " 10⅞	10 " 10⅝
April	1	4⅞ " 5¼	7½ " 8	5¾ " 6⅛	6¾ " 7⅛	10⅝ " 10¾	6¼ " 6⅛	6¼ " —	10⅝ " 11	10⅜ " 11
"	8	5 " 5½	7 " 7½	5¾ " 6⅛	6⅝ " 6¾	10⅝ " 10¾	5¾ " 6	6¼ " —	11⅛ " 11⅜	10⅜ " 11
"	15	5¼ " 5⅝	7 " 7¼	6 " 6¼	6¾ " 6⅞	10⅝ " 10¾	5¾ " 6	6¼ " —	11 " 11¼	10 " 10⅝
"	22	5¼ " 5⅝	7 " 7½	6 " 6¼	6¾ " 6⅞	— " —	5⅛ " 5¼	6¼ " —	11⅛ " 11⅜	9⅛ " 10⅛
"	29	5⅛ " 5⅛	6¾ " 7¼	5¾ " 6	6⅝ " 6¾	10¼ " 10½	5 " 5¼	6¼ " —	11⅝ " 12	9⅛ " 9⅝
May	6	5¾ " 6	6½ " 6⅞	5½ " 5¾	6⅝ " 6¾	10¾ " 11	4¾ " 5	6⅜ " —	11¾ " 12⅛	8¾ " 9¼
"	13	5¾ " 6¼	7 " 7¼	5½ " 5¾	6⅜ " 6½	10¾ " 11	5 " 5¼	6¾ " —	11⅞ " 12¼	8¼ " 8⅞
"	20	5¾ " 6¼	7 " 7¼	5¾ " 6	6¼ " 6⅜	10¾ " 11	5 " 5¼	7⅛ " —	11¾ " 12	8¼ " 8⅞
"	27	5¾ " 6¼	7 " 7⅜	5¾ " 6	6¼ " 6⅜	10½ " 10¾	5⅛ " 5¼	7⅛ " —	11⅝ " 11⅞	8¼ " 9
June	3	5¾ " 6¼	7 " 7⅜	5⅞ " 6	6¼ " 6⅝	9⅞ " 10	5⅛ " 5¾	7⅛ " —	11½ " 11⅞	8 " 8½
"	10	5¾ " 6¼	7 " 7¼	6 " 6⅛	6½ " 6⅝	9¾ " 10	5⅛ " 5⅝	7¼ " —	11½ " 11¾	8 " 8½
"	17	5¾ " 6¼	7 " 7¼	6 " 6⅛	6½ " 6¾	— " —	5⅜ " 5⅝	7⅛ " —	11¾ " 12	8 " 8½
"	24	5¾ " 6¼	6¾ " 7⅛	6 " 6⅛	6½ " 6¾	9⅛ " 9¼	5⅜ " 5¾	7 " —	11⅝ " 11⅞	7¾ " 8¼
July	1	5¾ " 6¼	6½ " 7⅛	6⅛ " 6¼	6½ " 6¾	— " —	5⅜ " 5¾	7¼ " —	11¾ " 12	7¾ " 8¼
"	8	5¾ " 6¼	6½ " 7	6⅛ " 6¼	6⅝ " 6⅞	9¼ " 9½	5¼ " 5⅝	7¼ " —	11¾ " 12⅛	7½ " 8
"	15	5¾ " 6¼	6½ " 7	6⅛ " 6¼	6¾ " 6⅞	9¾ " 10	5⅜ " 5¾	7¾ " —	11¾ " 12⅛	7¼ " 8
"	22	5¾ " 6¼	6¾ " 7⅛	6⅛ " 6¼	7 " 7⅛	9¾ " 10	5⅜ " 5¾	8 " —	12¼ " 12⅝	7 " 7¾
"	29	5¾ " 6¼	6⅛ " 7	6⅛ " 6¼	7 " 7⅛	10½ " 10¾	5⅜ " 5¾	9⅛ " —	12⅜ " 12¾	6⅛ " 7¼
August	5	5¾ " 6¼	6⅛ " 7	6⅛ " 6¼	7 " 7⅛	10½ " 10¾	5⅜ " 6	9⅛ " —	12¼ " 12⅝	6¼ " 7
"	12	5¾ " 6¼	6⅛ " 7	6⅛ " 6¼	7 " 7⅛	10½ " 10¾	5⅜ " 6	9⅛ " —	12⅛ " 12½	6¼ " 7
"	19	5¾ " 6¼	6⅛ " 7	----------	7¼ " 7½	10⅝ " 10¾	5⅜ " 6	9⅛ " —	12⅛ " 12⅛	6⅛ " 7¼
"	26	5¾ " 6¼	6¼ " 6¾	----------	7¼ " 7½	----------	5½ " 5⅞	9¼ " —	12⅜ " 12¾	--------

It will be seen from the above that the fluctuations during the period mentioned were rapid and violent, and it will be borne in mind that these fluctuations and the prices at which cotton sold were not influenced by the operations of future markets, as none existed at that time. Again, it will be observed that cotton sold as low as $3\frac{3}{8}$ pence in Liverpool in 1848–49, and as low as $4\frac{3}{8}$ cents in New Orleans in 1844–45 ; at times when the crops not only in the United States but throughout the cotton producing world were insignificant as compared with the gigantic output of the present era. Prices as low as those just quoted have never been seen since. Nevertheless, with cotton at $4\frac{3}{8}$ cents for middling in New Orleans, the South went on increasing the acreage devoted to cotton, and the crops correspondingly. When we consider the enormous crop of the preceding season, one which choked up all outlets, it is a matter of surprise that the price has not fallen lower than it has. Indeed, why not to the low prices, as shown above, when the crops were comparatively trifling. During the month of October of the present season fully one-quarter of the entire crop, say 2,500,000 bales, worth $100,000,000, left producers' hands, and it is quite evident that if this vast amount of cotton had been forced to find as purchasers the spinners in Europe and America alone, without relief from the merchants who operate through forward deliveries, the price at which it would have been sold would have brought disaster to the entire South. As a matter of fact, middling brought in New Orleans an average of over 8 cents during the October in question, while during the first half of January, with probably only twenty-five per cent. of the crop left to come to market, the price has ruled under 7 cents. As it was, the merchant and speculator who had sold short stood in the breach and saved the country from ruin, as they came in as buyers to cover the sales they had made during the spring and summer months. We think that the only solution of the question is that the sustaining influence of the sales for forward delivery prevented a more serious decline than actually took place.

Not to burden this document with an excess of figures, it may be summed up briefly that in the seventeen years preceding the war the average highest and lowest prices in pence in Liverpool were $6\frac{65}{100}$ and $5\frac{10}{100}$ as against $7\frac{16}{100}$ and $6\frac{00}{100}$ respectively in the past nineteen years, say since 1872–73, when futures first came into full operation. At all times prices in the United States sympathized closely with those current in Liverpool, and a full set of

American figures are omitted, because between 1872–3 and January, 1879, gold was at a premium in this country; and as cotton was sold in greenbacks, the price was subject to the fluctuations in the premium on gold; hence the quotations of cotton were influenced by an outside element. Enough, however, is shown to demonstrate that the range of prices were higher in the latter than the former period, and that the variations between the highest and lowest points were less; hence in neither respect can the operations of the future market have worked any injury to the producer.

It will be observed that from and after 1849–50 prices showed a steadily advancing tendency in Liverpool, and a like condition obtained in the United States. At the same time the crops were becoming larger, year by year, that of 1859–60, the year preceding the breaking out of the war, reaching the then enormous total of 4,861,000 bales, as against 2,379,000 bales in 1842–43, the first year referred to in the above tables, while prices had advanced 2½ pence, or, roughly speaking, 50 per cent. It is believed by many that this advance in prices was largely assisted by the increase in the supply of metallic money, due to the discovery of gold in California and Australia at about that time. On the other hand, the present tendency to shrink in the value of cotton is attributed to the lessened amount of legal tender metallic money available, due to the demonetization of silver. However, as this is a question on which very decided opinions, pro and con, are held by leading business men throughout this country and Europe, this committee does not desire to pursue the subject further, merely noting the point in passing as indicative of the opinion of many in the trade as to the reason of the present general level of values. Attention is called to the fact that during the period of 1849–50 to 1859–60, while cotton was gradually rising, the fluctuations were equally as violent as during the seven years preceding 1849–50, or during the period that has elapsed since dealing in futures were first begun, say 1871–72.

This committee is of the opinion that the great determining elements of price are supply and demand, and that price can neither be permanently lowered nor advanced by dealings in contracts for forward delivery. That the future market is simply a great mirror reflecting the general situation from moment to moment.

Cotton is an article produced largely in excess of the consuming power of the United States, and while the demand for home consumption is an important factor in regulating price, it cannot be denied

that the great European markets exercise the chief control in this regard. Unlike wheat and corn, the largest part of the cotton crop is marketed abroad. Of wheat about 25 per cent. is exported, of corn from 3 to 4 per cent., while of cotton 70 per cent. is sent to foreign markets; and this amount is only limited to this figure because, after the American mills have taken their supplies, there remains but 70 per cent. to export. That a greater amount does not go abroad is simply due to the fact that we have not the cotton to send away. Considering, then, the vast amount of the cotton crop that is exported, the influence of Europe in determining price must be at once apparent. Therefore, as Europe is the great regulator of the price of cotton, this committee cannot see how the operations of the "future" markets in America can depress the price below the value placed on it abroad; and for the simple reason that, as soon as the price on this side sinks below the value in Europe, it will at once be taken up for export, and the equilibrium be re-established.

Of recent years the custom has grown up among spinners of cotton yarn and manufacturers of cotton cloth to sell their product ahead, thus securing a price for the product of their spindles and looms. Inasmuch as the margin of profit in converting the raw material into the manufactured article is at best but narrow, the consumers of raw cotton aim to cover their sales of yarn and cloth by a simultaneous purchase of the cotton that will be needed in their work. Practically, this can only be accomplished by contracting for the forward delivery of needed supplies; and this by reason of the fact that the capital of most concerns is tied up in the plant, in the greater or less stock of goods that has always to be carried, and in the credits that have to be extended to their customers for goods sold on time. It is quite out of the question that beyond a few of the large corporations in the United States, France, and occasionally England and Germany, any very large stock of cotton can be bought and paid for in cash; hence without markets for forward delivery these purchases could not be made.

It has been suggested that the planter might sell directly to the spinner, but, apart from the impracticability of bringing the vast number of producers into direct communication with the comparatively small number of consumers, we are brought face to face with the insuperable obstacle that spinners require specific qualities of cotton, and these cannot be bought direct from

planters. A quality that might suit one mill would be utterly useless in another. No planter could safely undertake to sell, for forward delivery, a given grade or a given length and strength of fibre, or staple, as it is technically known to the trade, because in the event of a wet and stormy gathering season, the grade for his cotton would be very much lower than would be the case should the picking season be dry and generally propitious; while should the growing period be one of drought, the fibre would turn out to be much inferior to what it would be should the plant have reached maturity after having enjoyed that amount of moisture necessary to its proper development. Thus quality and staple cannot be foreseen. Moreover, in estimating the quantity that a planter can sell for forward delivery, we must consider, in addition to all the various influences that effect the early growth of the crop, the effect of the ravages of worms and of early frosts in the latter stages, as a crop that promised a given result in July or August, might easily be curtailed 25 per cent. by unfavorable conditions before the end of the picking. Thus the planter cannot closely calculate how much he can sell for forward delivery. Viewing, then, the questions of quality, staple, and quantity, not to speak of the impossibility of bringing producer and consumer directly together, it seems quite clear that the idea that the spinner can contract for forward delivery directly with the planter must be abandoned.

It is the opinion of this Committee that between the month of May and the month of August, both inclusive, European consumers contract with merchants who make a business of handling the cotton crop for the shipment during the autumn and early Winter months, of 1,500,000 bales, or say about 20 per cent. of the crop. During the same period the mills of the United States enter into similar contracts, and for important quantities.

The merchants who make these contracts for forward shipment or delivery enter into them with no view of speculation. On the contrary, in order to eliminate all element of speculation from the transaction they purchase as nearly simultaneously as possible a corresponding quantity in the forward delivery markets in New Orleans or New York. It may be objected that the contracts dealt in do not specify any given grade. This is admitted, but the experience of many years has demonstrated that there is constantly a close sympathy between the price of the actual cotton on any given day, and the price of contracts for corresponding

month on the same day. So close is the relation between the two that no merchant, however prudent, hesitates to use the market for contracts as an insurance for his sales of cotton of a specific quality and staple. Under the operations of this bill, merchants would be, to a great extent, debarred from entering into these contracts with spinners; hence, when the crop is rushed to market in the Autumn, the market would miss the sustaining influence of these sales for forward delivery, and under the pressure of heavy receipts, prices sink lower than all the surrounding circumstances would justify.

It has been stated above, that while the great European markets are the most potent factors in determining prices, that the wants of the American mills are also an influence in the same direction. More than this, the views of planters, merchants and others, as reflected in the markets for forward delivery in New Orleans and New York, have also great weight.

Should the bill in question become a law, the Exchanges in New Orleans and New York, as far as dealings in contracts for forward delivery are concerned, will cease to exist, and the entire business will be at once transferred to the Exchanges of Liverpool, Havre and Bremen. Can it be doubted that, once freed from the restraining influence of the great markets in New Orleans and New York, the endeavor of the foreign Exchanges will be to depress values at the very time that the necessities of producers force a rapid and enormous marketing of their cotton, and that, this object attained, they will reverse the operation, and, to the extent of their ability, exact from consumers all that the circumstances of trade will permit of their paying?

Apart from the amount mentioned above as contracted for in the early part of the season, say 1,500,000 bales, or about 20 per cent. of the crop, it is proper to state that, owing to the facilities of communication with Europe offered by the cable, after the crop begins to move the vast bulk of it is sold before it is bought. This Committee is of the opinion that fully 70 per cent. of the crop is marketed in this way, making with the amount contracted for in the earlier part of the season, say 20 per cent., a total of 90 per cent., and leaving but 10 per cent. to be moved under the methods that obtained previous to the inauguration of cable communication with Europe. None of this vast amount of cotton is the property of the merchant at the time that he sells it, and under the operation of the law as proposed, the entire machinery would come to a stand-

still, as not only can the business not stand a tax of 5 cents per pound as proposed, but it is questionable whether it would not be destroyed by even so apparently trifling a tax as $\frac{1}{16}$ of 1 cent per pound.

When it is shown, as appears by the records of past years, that cotton producers market 75 per cent. of their crops between September 1 and January 1, the possibility of the calamity likely to ensue in the coming Autumn, when the great bulk of the cotton crop is being rushed into market, upon the breaking down of the machinery that handles the crop, a condition which will certainly result from the enactment of the prohibitive features of this bill, should call for the most serious consideration at the hands of Congress. It is quite within the range of probability, the sustaining influence of forward delivery sales being removed, that a level of prices may be reached during that period lower than has been witnessed for years. And it must be remembered that during that period 75 per cent. of the cotton crop of the United States is forced on the market.

As to speculative dealings in contracts for forward delivery, it is quite plain that, immediately upon the closing of the Exchanges in New Orleans and New York, the business will be transferred to Liverpool, Bremen and Havre, and, with the resulting increase in the importance of those markets, their power in regulating price will be correspondingly enhanced. It can scarcely be hoped that they will shape their operations with a view to increasing the value of the product of the American cotton planter. However desirable it may appear to the author of the bill to suppress speculation, the measure will fail of its purpose, as the operations now made in America will simply be transferred to the European Exchanges.

The bill professes to be a revenue measure, inasmuch as it proposes to collect licenses and taxes from dealers in contracts for future delivery. But it will be apparent that not one cent of revenue can accrue to the government from its enactment, from the fact that those dealers who intend to sell for forward delivery only that which they own at the time of making the contract are not amenable to the law, and will therefore take out no license and pay no taxes, while on the other hand those who might contemplate selling for future delivery property not belonging to them at the time of sale would not find it worth their while to take out a license, because under the law no transaction could possibly be made that could stand the tax, and, therefore, in the absence of business, there would be neither license nor tax to be collected.

In conclusion, this committee expresses the opinion that the system of buying and selling cotton for forward delivery acts as a balance wheel to the trade, preventing either undue depression or inflation, and that if it is broken up by the bill under discussion, or any like measure, the results will prove disastrous to the very people in whose behalf its enactment is sought.

JOHN W. LABOUISSE,
JOHN G. HAZARD,
C. C. CORDILL,
Committee New Orleans Cotton Exchange.

ADDRESS OF MR. JOHN W. LABOUISSE, REPRESENTING THE NEW ORLEANS COTTON EXCHANGE, DELIVERED BEFORE THE SUB-COMMITTEE OF THE JUDICIARY COMMITTEE OF THE SENATE IN OPPOSITION TO THE ANTI-OPTION BILLS, ON TUESDAY, FEBRUARY 16TH, 1892.

Mr. Labouisse submitted the foregoing protest of the New Orleans Cotton Exchange against the passage of the Washburn bill, and said:

Mr. Chairman, when the Butterworth bill was up two years ago there was a line of thought in the report of that committee when the bill was favorably reported to the House, that I presume holds itself still with the gentlemen having in charge these measures, and I desire to call the attention of the committee to one point, and one only, that is of importance.

That report says that before the gambler as an operator, on the future exchanges "will agree to gamble, the article to be gam- "bled in must be reduced below its real value to a point where "he believes it can be forced no lower; and thus his disadvantage "is balanced by a reduction of the price of the article in which he "desires to gamble. In that reduction the farmer must be a suf- "ferer, because his stuff cannot be sold for more than the price "thus fixed."

How are these people going to sell an article at a price that they both agree is below the cost of the article? He would be the most amiable man I ever found in my life if he would agree to such a thing as that. And here is the curious insinuation in that connection: that gentlemen believe the price is fixed in that way because the article is sold for forward delivery. We were here in Washington, in April, 1890. The first sale for April, 1890, had been made in New Orleans on the 14th of June, 1889, nearly one year preceding. Somebody had sold for delivery in April, 1890. The price at which it was sold was 8.76. Upon that theory, then, when the time came around, cotton was going to be 8.76, but as a matter of fact on the day when I went before the committee, cotton was 11 cents.

Per contra: People had an idea that *this* crop was not as big as subsequent developments proved, and February cotton was sold

September 1st at 8.79; it is worth now 6.30. This shows the operations of different things at different times. The future markets had nothing to do with it in either case.

Mr. Chairman, that the destruction of the futures business is not looked upon as the sole remedy for the distress of the country by the cotton people is shown by the following: There was a convention held in the City of Memphis on the 8th of January last, and there was one held in Augusta, Georgia, on the 26th of January. The one in Augusta was represented by four hundred prominent cotton people, planters, merchants, farmers, etc. Among the gentlemen who organized that convention were the Hon. R. B. Lane, Commissioner of Agriculture for the State of Alabama, the Commissioner of Agriculture for the State of Arkansas, the Commissioner of Agriculture for the State of Tennessee, and the Commissioners of Agriculture for the States of Georgia and North Carolina. I desire to say that in all the resolutions which were passed at these two conventions—and which I beg to file as evidence—there is not one word said on the subject of futures. They all agree that the cause of their woe is over production, and they unanimously recommended a reduction of 20 per cent. in acreage. That is their recommendation, and not killing futures. I will file these documents I have referred to with the clerk.

Following are the resolutions referred to:

Resolutions adopted by the Memphis Cotton Convention, January 8th, 1892.

First.—We recommend that this convention do proceed to organize a permanent organization, to be known as the "Cotton Growers' and Merchants' Association."

Second.—We recommend that said organization shall consist of one president and a secretary and a treasurer and one vice-president from each of the cotton growing States.

Third.—We recommend that there be local organization of the said Cotton Growers' and Merchants' Association organized in every State, county and town in the cotton growing regions, and that the said local organization shall, where possible and practicable, coöperate with any farmers' organization now in existence.

Fourth.—We recommend that a reduction in the acreage planted in cotton for the year 1892 be 20 per cent. less than that planted in 1891.

Fifth.—We further recommend that each and every planter or farmer within the said cotton growing States do plant more diversified crops, and especially take extraordinary precaution to the end that he shall produce an abundance of corn, meat, hay, peas, oats and such other necessaries for his own and his family's supplies. And we here appeal personally and individually that each and every person favoring this movement do lend his aid and influence to further this end.

Sixth.—In view of the fact that the mercantile interest of the South is largely held responsible, whether rightfully or not, for the planting of cotton verging upon the exclusion of other products, it is therefore suggested and hopefully urged upon them to contribute by their advice and in other substantial ways to the bringing about of this coveted reform in our farming methods. It is further deemed of greatest moment that as the banking institutions of the South, of the cities and towns, are equally interested in that general prosperity which alone can come through a change in our methods, that they turn an intelligent eye in this direction and contribute their quota of needed aid. In fact, we hold it to be more emphatically in the power of these two classes of our agencies in producing to promote and assist to a self-sustaining condition than all others; and we look to them and will hold them responsible in great part if the aims of this convention fail and they refuse to labor with the farmer and planter in this reformatory direction.

Seventh.—We recommend that a committee of five be appointed by the president, whose duty it shall be to draft such constitution and by-laws as are necessary to carry into effect the objects of this organization and perpetuate its existence, who shall report their action to an executive committee of five to be appointed by the president, upon whose approval the same shall become the constitution and by-laws of this organization.

Eighth.—We recommend that each member and delegate to this convention use their united and individual efforts to carry into effect these resolutions, and that they urge their people at home to

assist for the general good the carrying out the spirit and purpose of the same.

Ninth.—We further recommend that the address delivered by Col. J. R. Godwin be received and indorsed by this association, and that the same be published with the proceedings.

Resolutions adopted by the Augusta Cotton Convention, January 27th, 1892.

Whereas, The enormous extension of cotton culture has so cheapened that product as to cause wide spread financial depression seriously affecting all branches of industry in the South, and the outlook reveals no limit to the constantly increasing production and unprofitableness of this culture, and inasmuch as this is largely due to the absence of that mastership in husbandry which alone profitably controls and directs labor and regulates production; to large areas of land, the titles to which being more or less a matter of doubt, are obtainable at nominal values, and to the assistance which foreign and domestic capital is and always will be ready to extend, often directly to labor itself alone, for the production of a staple commanding spot cash in the markets of the world:

Therefore, In order to reëstablish values in land; to restore a just equilibrium between the four primary and essential factors in production, to wit: Land, Labor, Capital and Management, two of which, Land and Management, are now virtually without influence in our agriculture; to induce the return of intangible and invisible personal property, now seeking refuge from taxation in speculation and commercial ventures to visible and tangible permanent improvements in agriculture; and to restrain the vast waste and destruction of our resources through unlimited culture.

Be it Resolved, That this convention memoralize the Legislatures of the cotton States, recommending the enactment of such laws as they in their wisdom may think best calculated to accomplish the following results:

1. The adaptation among us of the Australian or some similar system for the registration of land titles and transfers, so as to render these evidences of property as secure and as easily and cheaply transferable as State and corporate bonds and stocks now are.

2. To secure more effectually than at present all rights and privileges appertaining or in any way belonging to land (for example

the right to game and the power to dispose of it as secured by law in Germany) to the owners of land for their sole use and disposal.

3. That all agricultural lands be classified and a permanent valuation for taxation fixed upon them, as was done in England by act of Parliament in 1692, still in force, and in South Carolina by act of 1815, not in force since reconstruction; and that thereafter for a period of thirty-three years no improvements of agricultural lands be subject to assessment and taxation.

4. That to meet the present and prospective depreciation of cotton, threatening bankruptcy, the question of placing a moderate license tax on cotton acreage for a period of four years, lifting the burden of taxation from all other crops, be carefully considered as a possible remedy for restraining the unprofitable culture of cotton.

Resolutions adopted by the Augusta Cotton Convention, January 28th, 1892.

Resolved, To carry out the recommendations of this convention to reduce the cotton acreage for the year 1892 20 per cent.

We earnestly request all newspapers and agricultural journals of the cotton States to publish the resolutions of this meeting, urging all cotton producers to accept the resolutions and faithfully carry them out, and to urge them further to endeavor to increase the production of grain, grasses, meat, and everything in general for the support of man and beast. Further, that we request the State Alliance to urge upon the sub-Alliance and State Granges through their subordinate Granges, the necessity of immediate consideration of and action on this important question.

That we request all city, county and agricultural journals, and agricultural organizations throughout the cotton States, to call county conventions immediately to consider and decide the question of reduction of cotton acreage, and that said conventions elect two delegates to a general Southern Cotton Convention, which shall convene at Montgomery, Ala., Wednesday, March 9th, 1892, to consider the questions affecting their interest, and decide upon such general and uniform legislation in the various States as best for future relief.

All cotton exchanges and bodies of cotton factors are requested to have representatives in said conventions by the election of two delegates to represent each organization.

Resolved, That the Augusta Cotton Exchange, through its proper committee, send a copy of these resolutions to the various exchanges and cotton associations, to the general committee on memorials to the legislature, also to send out copies of these resolutions to the various journals and agricultural organizations through the South at as early date as possible.

Resolved, That each county convention be requested to take a list of subscribers who are willing to bind themselves to reduction and make report of said agreement for reduction through their delegates to the general convention on March 9th, 1892.

MR. LABOUISSE also submitted the following papers :

TABLES SHOWING THE HIGHEST AND LOWEST PRICES OF MIDDLING COTTON IN NEW YORK FOR 45 YEARS BEFORE THE FUTURE BUSINESS AND DURING 18 YEARS OF THE FUTURES SYSTEM, AND DIFFERENCES BETWEEN SAME IN CENTS PER POUND.

Ante-Futures Period.	Highest. Cents.	Lowest. Cents.	Greatest Depression or say Decline from Highest Point During Year.
1826-7	14	9	5
1827-8	12	8	4
1828-9	13	9	4
1829-30	11	8	3
1830-1	13	8	5
1831-2	11	7	4
1832-3	12	7	5
1833-4	17	9	8
1834-5	16	10	6
1835-6	20	15	5
1836-7	20	12	8
1837-8	17	7	10
1838-9	12	9	3
1839-40	16	11	5
1840-1	10	8	2
1841-2	11	9	2
1842-3	9	7	2
1843-4	8	5	3
1844-5	9	5	4
1845-6	8⅜	5	3⅜
1846-7	10	6	4
1847-8	12	7	5
1848-9	8	5	3
1849-50	11	6	5
1850-1	14	11	3
1851-2	14	8	6
1852-3	10	8	2
1853-4	11	10	1
1854-5	10	8	2
1855-6	12	8	4
1856-7	13	9	4
1857-8	15⅞	9	6⅞
1858-9	13½	8⅞	4⅝
1859-60	12¾	10⅝	2⅛
1860-1	11⅝	10	1⅝
1861-2	38	11½	26½
1862-3	69½	20	49½
1863-4	93	51	42
1864-5	190	72	118
1865-6	120	35	85
1866-7	52	32	20
1867-8	36	15½	20½
1868-9	33	16	17
1869-70	35	25	10
1870-1	25¾	15	10¾
Average for 45 years of ante-Futures period	$25\frac{12}{100}$	$13\frac{1}{100}$	$12\frac{11}{100}$
Omitting 10 years from 1861 to 1870 inclusive should have average for 35 years of ante-Futures period	$12\frac{53}{100}$	$8\frac{36}{100}$	$4\frac{16}{100}$

Futures Period.	Highest. Cents.		Lowest. Cents.		Greatest Depression or say Decline from Highest Point During Year.
1871–2	$21\frac{1}{4}$		$14\frac{3}{4}$		$6\frac{1}{2}$
1872–3	$27\frac{3}{8}$		$18\frac{5}{8}$		$8\frac{3}{4}$
1873–4	$21\frac{3}{8}$		$13\frac{5}{8}$		$7\frac{3}{4}$
1874–5	$18\frac{7}{8}$		$14\frac{3}{4}$		$4\frac{1}{8}$
1875–6	$17\frac{1}{8}$		$13\frac{1}{16}$		$4\frac{1}{16}$
1876–7	$13\frac{3}{8}$		$10\frac{7}{8}$		$2\frac{1}{2}$
1877–8	$13\frac{5}{16}$		$10\frac{13}{16}$		$2\frac{1}{2}$
1878–9	$12\frac{3}{16}$		$8\frac{13}{16}$		$3\frac{3}{8}$
1879–80	$13\frac{3}{4}$		$9\frac{1}{4}$		$4\frac{1}{2}$
1880–1	$13\frac{1}{4}$		$10\frac{15}{16}$		$2\frac{5}{16}$
1881–2	13		$10\frac{7}{16}$		$2\frac{9}{16}$
1882–3	$13\frac{1}{16}$		$10\frac{1}{4}$		$2\frac{15}{16}$
1883–4	$11\frac{1}{8}$		10		$1\frac{1}{8}$
1884–5	$11\frac{15}{16}$		$9\frac{3}{4}$		$2\frac{3}{16}$
1885–6	$11\frac{1}{2}$		$9\frac{3}{16}$		$2\frac{5}{16}$
1886–7	$9\frac{9}{16}$		$8\frac{13}{16}$		$\frac{3}{4}$
1887–8	$11\frac{7}{16}$		$9\frac{7}{16}$		2
1888–9	$11\frac{3}{8}$		$9\frac{5}{8}$		$1\frac{3}{4}$
Average during 18 years of Futures period	$14\frac{71}{100}$		$11\frac{27}{100}$		$3\frac{44}{100}$

This has been changed during the past nine years, since the New Orleans Exchange adopted the Futures system, to show as follows:

Average during 9 Future years from 1880 to 1888 inclusive	11.80		9.82		1.98

A gain in comparative steadiness in favor of the 18 years Futures period as against the 45 years prior of nearly 72 per cent., and omitting the 10 years from 1862 to 1870 inclusive, a gain during the Futures period of 17 per cent. compared with 35 ante-Future years.

The Futures business may be said to have been fairly under way in New York, during the commercial year 1871–2, but it was not adopted in New Orleans until about 1880.

Since the Future methods have been in force in both exchanges, additional steadiness has been imparted to the markets. The average yearly fluctuations during the nine years of this period having been $1\frac{98}{100}$ cents against $12\frac{11}{100}$ cents for the 45 ante-Future years, and $4\frac{16}{100}$ for 35 ante-Future years—a gain in steadiness during the nine years of nearly 84 per cent. in favor of Futures as compared with the 45 years' period and of nearly $52\frac{1}{2}$ as compared with the 35 years' period.

BOARD OF TRADE OF THE CITY OF CHICAGO.

To the Congress of the United States. Memorial of the Board of Trade of the City of Chicago against the passage of Senate Bill 1757 and House Bill 2699, known as the "Washburn" and "Hatch" Bills respectively.

To the Honorable the Senate and House of Representatives of the Fifty-second Congress of the United States of America:

Gentlemen: The Board of Trade of the City of Chicago respectfully protests against the passage of House Bill 2699, introduced in the House of Representatives by Mr. Hatch, and Senate Bill 1757, introduced in the Senate by Senator Washburn, and described as "A bill defining 'options' and 'futures,' and imposing special taxes on dealers therein, and for other purposes." The objections urged against the passage of the bills are set forth in the following memorial, to which your attention is respectfully directed:

The passage of this bill, and its enforcement as a law, would produce a commercial convulsion amounting to a National calamity.

It would be a vital attack upon the very foundation principles of modern business methods and usages.

It would be hostile to the commercial genius and spirit of the age.

It could not stop, as its advocates may vainly hope, at the suppression of gambling in farm products, but it would wipe out of existence every Board of Trade, Chamber of Commerce and Cotton Exchange in the country, and destroy a vast system for the economical handling of the agricultural products of the Nation, a system which is in entire harmony with the progress of our civilization, and which is a part of that civilization.

It would disastrously disturb transportation interests of every kind.

And it would in many ways, directly and indirectly, react ruinously upon the farmers, in whose interest the measure is ostensibly being pushed.

In attempting to legislate against options or gambling contracts the Washburn and Hatch bills fail utterly to make the proper distinction between such gambling contracts and legitimate contracts for purchase and sale of commodities for future delivery. They attempt to stamp as illegal a class of contracts which the Federal and State courts have for more than thirty years held to be valid and binding, and which are now recognized as a part and parcel of our commercial and financial system.

Contracting for future delivery has entered into every phase and feature of the industrial and business life of the civilized world. It is rare that an enterprise of any importance is now undertaken which is not predicated largely upon contracts for labor, money or supplies, extending into the future.

A capitalist planning to build a house or a block, let it cost $1,000 or $1,000,000, contracts for its construction from beginning to end, makes his financial arrangements accordingly and, so far as he can do so, sells his floor space short—all before a spade is put into the ground. The various construction contracts are, in their turn, based, as far as may be possible, on contracts for the future delivery of materials and labor at an agreed price. The stone, steel, iron, brick, slate, mortar, wood and other materials may pass through twenty hands before they reach the person or persons originally contracting to deliver the same. The original contract is none the less valid on that account though at the time it was made the party agreeing to deliver the property may have had no clear idea how or where he was to get the property.

The retail merchant, speculating on the probable requirements of the public, orders goods to meet these requirements. His wants are supplied by the wholesaler, who has anticipated these demands by contracting months before for the products of the mills, the factories and the farms. The mill owners, to fill their contracts with the wholesalers and jobbers, contract for the future delivery of the cotton or wool that is to enter into the manufacture of the cloth. The material may be nowhere in sight and the parties agreeing to deliver it may have to buy it of its thousandth owner instead of its first. The validity of the contract is in no wise affected by the number of times the property may have been transferred in going from the producer to the consumer, nor should it. The right of ownership passes, the same as it would in real estate or any other species of property. A gold coin loses nothing of its value, though it passes through a million hands and cancels a million debts in its travels.

The clerk at his desk and the workman at his bench are solicited in May and June to contract for next winter's supplies of coal deliverable any month that may be named. Upon these contracts the wholesaler gives his orders to the mine owners who in turn are enabled to intelligently anticipate the output of their mines and make arrangements accordingly.

Our paper currency represents a Nation's contract to redeem the same in coin on demand, "buyer's option."

The idea, scheme and theory of contracting for future performance permeates our very lives. It is the blood and bone and basis of our National, personal, commercial and financial existence. Attempted curtailment of the privilege of entering into legitimate contracts for future performance would be a dangerous invasion of the domain of personal and private rights and liberties.

The Washburn and Hatch bills contemplate an attack upon one line of business, singling it out from everything else, and are in that respect vicious class or special legislation. Designed ostensibly for the suppression of gambling in the products of the soil, they would, if allowed to become a law, extinguish an established system, without which producers would be absolutely at the mercy of combinations of capital formed to prey upon their helplessness.

Gambling in farm products is an unmitigated evil, and there is not a legitimate exchange in the country that would not lend its aid and countenance to the enactment and enforcement of laws, for its extinction. If the Washburn and Hatch bills could accomplish that result and stop at that, this memorial would be in favor of the measure and not against it.

In simple truth, however, the extent to which produce gambling is carried on in the legitimate exchanges of the country is immensely exaggerated. It bears about the same relation to the legitimate commerce and speculation of the country that the froth and foam of Niagara do to the mighty volume of water underneath. It is the bubble and fuss and fury, the froth and foam upon the surface of trade and commerce that offends—not trade and commerce itself.

Gambling in produce—gambling pure and simple, is carried on in the bucket-shops. This form of gambling is and has long been a fruitful source of agricultural depression, and a rigorous Federal bucket-shop law, vigorously enforced, might go far toward accomplishing the end that is sought. The laying of wagers in these thousands of bucket-shops, on the quotations of produce, as they

are made in the great marts of trade, creates a powerful concentrated interest for the depression of values. The extent to which this bucket-shop influence is responsible for the agricultural depression that is complained of is not, we fear, fully appreciated. The evil is of sufficient importance in our opinion to merit the attention of Congress. It has become a National curse. This Board does not apprehend that your honorable body confounds bucket-shops with legitimate exchanges. Such a thought would be an insult to your intelligence.

Boards of Trade are a necessity of modern commerce. They enable the producers to find a market at any time for their surplus grain, cattle, hogs, cotton and other crops, at far better average prices than could otherwise be obtained. America raises a surplus of almost every kind of farm product, and this surplus must be sold to domestic and foreign consumers, else congestion results, and the country suffers from evils of over production.

It is through the medium of Boards of Trade that the capital is supplied for the carrying of the country's surplus products during the long and wearisome period that must intervene from the time it leaves the possession of the needy producer until it is taken by the tardy and reluctant consumer. The farmers are not, as a class, able to furnish the capital needed to carry the surplus of their crops. They are, as a general thing, obliged by the necessities of the situation to realize on their crops as soon as saved. This makes them urgent sellers during the few months immediately following harvest, and were it not for the helping hand of speculative and invested capital, the highways of commerce would be glutted with an unsalable plethora. The ultimate consumers to whom our surplus must be sold, if sold at all, would supply their requirements only as necessity demanded, and fathomless depression in values would ensue. The American farmer would be in a state as hopeless as the man "treading water,"—no bottom and no rest.

Enterprise and capital have created chains of warehouses extending from the remote West and South to the seashore. Interior dealers obtain advances from the commission merchants at commercial centers, and buy and store the surplus of the country. This surplus is sold for future delivery at the larger markets, or as they are styled "Boards of Trade," "Chambers of Commerce" and "Produce Exchanges."

It is immaterial to the producer or to the country dealer, whether his wares have been sold in Chicago, New York, St. Louis, New

Orleans or any of the other great markets, to the consumer or to a speculator. He is only interested in knowing that the property on hand has been "placed" at a price that pays him a moderate profit on the money invested, and that a few months later, when it is forwarded, it will be taken and paid for. His contract of sale gives him assurance in that respect.

It may be contended, perhaps, that the Washburn and Hatch bills do not, in words, prohibit speculation in farm products, where the actual property is bought and sold. They do prohibit the resale of such products by the original buyer, however, until the actual property comes into his possession, on the full maturity of his contract. He can now sell it the moment the contract of purchase is made, and the identical parcel may be sold and resold a thousand times before the property finally passes into consumption.

The right to so buy and sell enables grain and produce merchants to limit their losses, or realize profits at any time they may elect, between the formation of the contract and its maturity.

The facility that is thus enjoyed for releasing capital attracts boundless cheap money into this branch of trade, which would be withdrawn upon the introduction of a disturbing factor tending to restrict dealings in futures.

The Washburn and Hatch bills in aiming at gambling, overshoot the mark and strike a deadly blow at legitimate commercial usages which have received the recognition and support of the courts of the land.

These contracts in infinite number, representing actual property of very great value, form the basis of operations on the commercial exchanges. Speculation makes a market at all times for the property that is in transit from producers to consumers. It is the indispensable solvent. Property that can be realized upon without delay is security upon which fiscal institutions will make advances at the lowest interest rates, thus minimizing the cost of carrying, a state of facts which is of direct advantage to the producers, as it enables the dealer to pay more originally than he would be otherwise justified in doing.

When cereal reserves are nearest exhaustion, the combined visible supply of wheat in city and country warehouses ranges from 20,000,000 to 35,000,000 bushels, and during the autumn and winter months the load that is being carried across the bridge upon the shoulders of capital sometimes exceeds 75,000,000 bushels. During the period of greatest surplus accumulations in the best year the

"visible supply" alone was 60,000,000 bushels. The average stock of wheat in this country available for immediate commercial use is close to 50,000,000 bushels.

Not less than 100,000,000 bushels of corn in cribs along lines of railroads, or in public warehouses, is carried continually on advances from commission firms on the great exchanges and from local and city banks, farmers being relieved of the burden they are illy equipped to shoulder.

Of oats possibly 30,000,000 bushels are bought of the producer and carried by middlemen in anticipation of consumptive requirements.

The product of from 2,500,000 to 4,000,000 hogs has to be similarly provided for, on an average, from one year's end to the other. The visible supply of American cotton, that is, the quantity that has passed from the producer and has not yet gone into the possession of the consumer, ranges from 175,000 to 1,250,000 bales; the average "visible" may be put at 750,000 bales.

The capital required to carry the enormous surplus of the few commodities enumerated above is shown with approximate accuracy in the following table:

Commodity.	Average Quantity.	Approximate Home Value.
Wheat (bu)	60,000,000	$45,000,000 00
Corn (bu)	100,000,000	25,000,000 00
Oats (bu)	30,000,000	6,000,000 00
Hog product (lbs)	450,000,000	27,000,000 00
Cotton (bales)	750,000	35,000,000 00
Total		$138,000,000 00

The foregoing is unquestionably an inside estimate of the amount of money actually employed in carrying the surplus of the leading crops until such time as it may be needed by the Nation's customers. At times a vastly larger sum is employed in moving the crops, and rarely is a smaller amount needed. This enormous capital is an active, virile, substantial support to the values of agricultural products, and not, as many ignorant or poorly informed persons imagine, a source of depression.

Destroy the system of contracting for the purchase and sale of agricultural commodities for future delivery, by imposing a prohibitive tax on such operations, and a very large proportion of the capital thus employed will seek other channels for investment. The

farmer may rid himself of the middlemen, but he will also be bereft of his market at the same time.

The exorbitant dealer's license provided in the bills, and the extravagant tax of 5 cents per pound on cotton and hog products, and 20 cents per bushel on grain, are of course intended to be prohibitory. Were it otherwise, the tax would be only an added burden on the agricultural and industrial interests of the country. Taxation of this description must eventually be paid by the producers. This is a law of economics as immutable as nature's law of gravity. There is no escape from its operations.

Capital is selfish. It will not pay for the privilege of being employed for another's benefit. Interest charges do not run that way.

The remedy for agricultural depression does not lie in Congressional enactment depriving farmers of a ready market for their crops. Existing machinery for the handling of the Nation's crops may seem expensive, but it is the cheapest that has ever been known in the world's history. If any cheaper method can be devised for doing the work, keen-eyed competition for profitable investment of capital will discover it. Legislation will not be needed to point the way. Neither will agricultural depression be dissipated by Congressional enactment. It is a sore that will the more speedily cure itself if let alone. If something must be done, then lighten instead of adding to the common burden of taxation.

The inevitable tendency of speculation is to minimize the range of fluctuations and reduce business risks to the narrowest limits. The absolute truth of this statement is illustrated in the course of market values of commodities in which there has been most general speculation of late years, namely: grain, hog products, cotton and oil. The tide has ebbed and flowed with placid regularity. Speculation, within bounds, is quite as legitimate as manufacturing, merchandising or banking, and serves quite as useful a purpose. Gambling is the abuse of speculation, and like any excess effects its own cure in the exhaustion of the resources of its votaries. As before remarked, gambling in farm products is merely the foam and froth on the surface. The real business is dominated by the well defined laws of trade and commerce. Like the fly on the wagon-wheel, the gamblers in produce may think they are raising a great dust, but they are really of minor importance.

The following from the pen of a noted writer on political econ-

omy, may further explain the utility of contracts for future delivery, the paragraph having direct reference to grain:

"The only standard by which we can test these contracts is that of utility. Do their benefits outweigh their mischiefs? Are the complaints against them founded in ignorance and want of thought? If so, they are beneficent; and if beneficent, then in every ethical analysis they are right. The advantages of future contracts in grain, founded on the system of grading grain in bulk, and issuing warehouse receipts for certain quantities of certain grades, and buying and selling these receipts, as compared with the alternative system of selling grain by sample, or on view, are so great that it is not too much to say that to provision the civilized world without the aid of such mechanism would be hardly less difficult than to transport to market the world's food material without the use of railways. A class of contracts which perform such services to commerce; which promote the production of the staff of life and cheapen bread and provisions throughout the civilized world; whose profits rest on economic law, and not on blind chance; which give equality and firmness to the prices they are charged with disturbing, can only be belittled into bets by those whose knowledge of business is that of children. Their cost, if their benefit has a debit side at all, is not to be placed in comparison with their beneficence."

In the foregoing no reference has been made to the industrial disturbance that is likely to result from the overthrow of the system of trading in vogue on the commercial exchanges of the country. Hundreds of thousands of men are employed in the great mills, in the mammoth packing houses, and in forwarding the crops of the country after they leave the farmers' hands. The wages of this great host of employed men will be dangerously disturbed and seriously reduced.

As an experiment the Washburn and Hatch bills are pregnant with danger. Their good points are few and their bad features many. The safety of the commercial interests of the country demand their defeat.

Respectfully submitted,

C. D. Hamill,
S. W. Allerton,
T. A. Wright,
Michael Cudahy,
J. Henry Norton,
Committee.

Argument of Mr. Chas D. Hamill, President of the Chicago Board of Trade, before the Judiciary Committee of the United States Senate, Feb. 17th, 1892.

Mr. Chairman, the necessity for the existence of a speculative body and the useful function it performs in adjusting the supply of, and demand for, products of the soil is clearly recognized by all modern economists. No great knowledge of political economy is necessary to understand the laws that an advance in price checks consumption and stimulates production, and that a fall in price checks production and increases consumption. Granting, therefore, that the function of price is to adjust these factors, it follows that there must be some price at which they are most perfectly adjusted. Professor Cairnes calls this the "proper price" and defines it as "the price which suffices to adjust in the most advantageous way the existing supply to the existing demand pending the coming forward of fresh supplies from the sources of production."

That this price is the one best suited to the needs of consumer and producer alike is evident. The consumer requires that price be not advanced to a point that will unnecessarily check consumption, nor depressed to a point that will encourage too great consumption and waste, and either action is necessarily followed by the other. The producer requires that advance prices do not too greatly stimulate production, nor depressed ones check it, as either extreme implies the other, and either works to his injury. Assuming this as true, we have still to show that the speculator, by his judgment and action, performs the needed service of making actual market price conform to this desired "proper price." He must do so. The condition of his existence as a successful speculator is, that he sees, and conforms his action to, the best interests of producer and consumer. His action cannot influence the "proper price;" supply and demand regulate that. His action does determine the actual market price, and only as it tends to make this coincide with the "proper price," will it in the long run be profitable to him. His motive is not humanitarian; the farmer does not produce from humanitarian motives; he who consumes does so to preserve his own life; yet each, from selfish motives, performs a service necessary to the others.

To state the matter in another way, we may say that it is to the interest of both consumer and producer that fluctuations from the "proper price" be minimized as much as possible. When we see the great fluctuations that occur even now, notwithstanding the great number of far seeing men, acting freely and without the interference of arbitrary laws, controlling great capital, ready to buy when prices are too low and sell when they are too high, we can readily understand the alternating periods of panic and inflation that would occur were this balance wheel removed or seriously interfered with.

The natural conditions that govern the production and distribution of food products are such as to cause wider fluctuations than occur in the case of other commodities. The demand for the former is almost the same in times of plenty and of famine. A man's first care is that he have that with which to support life, and he will bend all energies toward procuring food—in other words, will pay very high prices. On the other hand, he cannot eat more than so much, so that the demand for a surplus over requirements will be small in times of plenty, and serious declines in price will result. Further than this, supplies cannot be increased except at stated and far apart periods of production, so that an equalizing factor present in most production is absent in this.

The movement last Fall of the wheat crop of this country was unprecedently large, but there was no excessive accumulation of supplies at any point in this country. Why? The dealers and exporters, knowing the ability of this country to deliver, placed enormous amounts of wheat for future delivery in Europe at the high prices paid by dealers and speculators there; these dealers and speculators encouraged by the prospect of a very large demand to be caused by a partial failure of their own crops, advanced their bids from day to day; the exporter filled the orders as best he could in one market and another, and by the time the farmer was able to deliver wheat in volume, the machinery was all in motion and the crop moved off at good prices. If this preparatory work had not been done a glut of wheat would have ensued, and buyers would have withdrawn until the effect of the glut had depressed prices to a point satisfactory to them.

Immediately after harvest each year great quantities of product are hurried forward and placed on the market by producers unable to hold them either through lack of capital or of suitable storage facilities. This greatly increases one factor, supply, and as con-

sumption is practically constant throughout the year, the second factor, consumptive demand, would not at all keep pace with the first and extremely low prices would result were not another element, namely, speculative demand, introduced. So in times of too active demand, caused by groundless fear as to the amount of supply, a third element, namely, speculative supply, or selling for future delivery, is introduced, and prices are kept from undue enhancement. Speculative demand, when wisely employed, is generally admitted to be a useful factor, but its necessary corollary, speculative supply, proves a stumbling block to the unthinking.

Attention has been often called, generally to promote unfavorable comment, to the disproportion in numbers between speculators in food products and those in other commodities. The natural conditions outlined above furnish a complete explanation of this fact and show the necessity for it. The very fact that this speculative body exists, would, however, alone be sufficient proof of the necessity for its existence, since, when economic laws work freely without legislative interference the parasite cannot exist and the natural groups into which men divide themselves are those best suited to carry forward the progress of the world.

We have examined the function of the speculator as related to production and consumption. There is still to be shown his service in the work of distribution. Buying in the market that is relatively cheap, selling in the market relatively dear, he prevents undue accumulation at some points and undue depletion at others, and by this equalizing process helps on that distribution best suited to the world requirements.

The proposed measure is intended to absolutely prohibit all merchants, great and small, from dealing in, or handling in the legitimate channels of trade, all of the products mentioned in this Bill. While it avowedly gives to the farmer the right to make contracts for the future delivery of the products of his farm, it prohibits, by the most despotic means, the merchant, with whom the farmer may make his contracts for future delivery, from disposing of the property until actual delivery is made by the farmer. What is the result of this, not only to the merchant in general, but to the farmer in particular? Simply this, as to grain, that while the farmer has the naked right to dispose of his property, even before he has raised it, he can really dispose of his wheat only and this to the miller alone. His corn, oats, rye and barley must be sold, if sold for future delivery, to a dealer, who, under the provisions of the Bill, would

be prohibited from disposing of such property until its actual delivery. It entirely eliminates all legitimate competition in the purchase from the farmer of his products for the reason that the miller and the maltster alone remain unhampered as possible buyers from him. It discriminates solely in favor of the miller and the maltster, and creates a monopoly for their advantage by driving out every other dealer and warehouseman.

As to hogs, this proposed legislation prohibits the packer, who is now practically the only buyer, from contracting for the future delivery of pork products. This makes it absolutely necessary for the packer to insist upon a larger margin than is now customary between the raw material and the manufactured product to cover the additional risk of the market while manufacturing; all of which tends inevitably to the reduction of the price paid to the farmer, whose hogs, under existing conditions, are taken by the packer at a slight reduction under the cost of manufactured product because the packer can always find a ready market for future delivery.

The question naturally arises in connection with this Bill whether it is either wise or practicable to stifle legitimate speculation in anything. The spirit of speculation is inborn in man. The sleepless tendency of all enlightened minds is to speculate upon future conditions and events ; and it is to this attribute in man that the highest type of civilization everywhere owes its advancement and stability.

It is clearly to be seen that at least two things would result from the passage of this Bill, neither of which the wildest of theorists would care to defend ; first, the overturning and unsettling, to the extent of the total destruction of long established and well understood usages in the handling of the agricultural products of the country ; second, the restriction placed upon men from engaging in what would otherwise be legitimate trade, not for the purpose of producing revenue, but for the ostensible purpose of benefiting a class, and creating a monopoly chiefly for the benefit of millers, but by the necessary operation of which the farmer would become by far the most serious loser.

The Bill necessitates an army of spies and informers, everywhere obnoxious to men of all classes and conditions, and involves the exposure of private business to such a degree that all fair minded men must denounce it as an invasion of personal liberty and private rights never contemplated and never tolerated, either by the spirit, or practice, of our free institutions.

LETTER FROM MR. S. T. K. PRIME TO MR. CHARLES D. HAMILL, PRESIDENT CHICAGO BOARD OF TRADE, SHOWING THAT, IN SPITE OF AGITATION, THE DRIFT OF PUBLIC SENTIMENT IS IN FAVOR OF NEITHER THE HATCH NOR WASHBURN BILLS.

DWIGHT, ILL., Feb. 15, 1892.

Mr. CHARLES D. HAMILL,

President Chicago Board of Trade, Chicago, Ill.

Dear Sir: At your request I send you a report from nearly 600 points in the West, Northwest, and Southwest, covering all our surplus grain-growing States. This report is made up from answers received from grain men, millers and farmers. Fifty per cent. of the reports are from millers and grain dealers. The remainder are from representative farmers. Over sixty per cent. of the answers in the report are opposed to the present bills now before Congress. Over sixty per cent. of the reports show that the effect of the passage of the bills now before Congress to regulate trading in food products upon the agricultural and grain interests of the country would be bad. The report also brings out the fact that more or less of our farmers sell their grain for future deliveries.

The summary of the report is as follows:

From 568 points in the States of Illinois, Iowa, Kansas, Nebraska, Missouri, Indiana, Ohio, Michigan, Kentucky, Tennessee, Minnesota, Wisconsin and Dakota, the following answers were received:

1. Are you in favor of or opposed to bills which are now before Congress to prevent trading in futures?

Ans.—216 in favor of; 310 opposed to; 42 non-committal; total, 568.

2. What effect would the passage of this bill have upon our interests?

Ans.—181, good effect; 296, bad effect; 61, no effect; total, 538.

3. What proportion of the farming community sell their grain for future delivery?

Ans.—186 answer none; 270 answer one-fourth; 52 answer one-half; 25 answer three-fourths; total, 513.

Yours respectfully,

(Signed) S. T. K. PRIME.

EXTRACT FROM ARGUMENT OF MR. THOMAS A. WRIGHT, EX-PRESIDENT OF THE CHICAGO BOARD OF TRADE, BEFORE THE JUDICIARY COMMITTEE OF THE UNITED STATES SENATE, FEBRUARY 17TH, 1892 :

That part of the Washburn bill relating to options the Board of Trade of Chicago fully concurs in. The board recognizes no transactions of the kind and will heartily coöperate in preventing such trading. Dealings in futures, based upon the actual delivery of grain according to the rules of the Chicago board, have been pronounced legal contracts by the Supreme Courts of our different States as well as by the highest courts in England. The decisions are plain in saying that a person has a right to contract for the delivery of an article at a future time, though he has not that article in his possession, but hopes to buy it at some future time for the completion of his contract.

The main argument of those who favor this bill is that dealings in futures depress values, which is an entirely erroneous one. Speculation furnishes capital for the carrying of our enormous stocks at a time when most needed. It bridges the interval between the early enormous movement after harvest time till the season of lighter movement and increased demand with a continuous reliable market. Without it values would break sharply through excessive supplies, and the farmer would be compelled to accept such terms as an ordinary cash demand would warrant. Speculation, by providing a continuous market, facilitates the transaction of an enormous business at the slightest risk and the minimum cost to all concerned. It furnishes a market where the country dealer can sell against his purchases from the farmer, thereby giving the farmer the highest possible price for his grain. Without this market the dealer, who now contracts with the farmer on the basis of one cent a bushel, would be compelled to take the risk of holding his grain till such time as the cash demand would require it, and in consequence would require from 5 to 10 cents a bushel margin on the same grain for which, with present conditions, he is willing to accept one cent. Without this market millions of money now sent into the country for the purchasing and warehousing of grain during the heavy movements of the crops would be withheld till such time as the prices would be at the lowest point, or near the

actual cost of production, if, in fact, any considerable part would go at all.

Should Congress pass this bill it would not destroy all dealings in futures, but simply divert the present enormous grain business of Chicago to some of the commercial cities in Europe, and, in my judgment, to Liverpool. English courts have confirmed these contracts. England is the largest importer in Europe of American grain. The annual exportable surplus of wheat and its equivalent in flour in this country during the last ten years has averaged over 126,000,000 bushels. Now the value of our crop depends upon the price of the exportable surplus, and the English merchants, who are the closest cash buyers in the world, with our present business in futures transferred to Liverpool, would dictate values on American grain. How will this changed condition benefit the American farmer?

The only interest this bill proposes to foster is that of the wealthy miller of milling syndicates. This bill permits the miller to sell futures in flour indefinitely, though he may not be the owner of 5,000 bushels of wheat, and yet flour is simply wheat in another form. English capital is now largely invested in milling industries in Minneapolis, the home of the Senator who gives his name to this bill. These mills, by the operation of this bill, would purchase wheat at their own terms, and be able to pay enormous dividends to English shareholders on property stocked for three times its value, without reserving for the farmer one iota of gain.

EXTRACT FROM THE ADDRESS OF MR. MICHAEL CUDAHY, PRESIDENT OF THE CUDAHY PACKING COMPANY, OF CHICAGO AND OMAHA:

Mr. Cudahy said his business was that of a pork packer and a general dealer in provisions. The rules of the board governing purchase and sale of provisions have always been carried out strictly by the trade, and that has always led to a feeling of security in contracts made on the board for provisions. He considered that the Board of Trade markets have been the means of keeping steady regular prices and preventing undue depression on the price of hogs, adding in the following words:

For the reason that there are two seasons of the year (one beginning about Nov. 1 and ending about Feb. 1, the other beginning about May 15 and ending about July 15) in which accumulations of product take place, and that, by reason of having a market where you find men who are willing to take the risk of owning the property with the packer, it gives the packer a kind of insurance or security so that he can operate his plant to its full capacity and purchase hogs as fast as they come into the market. Were it not for the Board of Trade the packers would be obliged to take the entire hazard of carrying accumulations themselves, and, as a matter of course, would be more timid in their operations and less inclined to operate alone, unless at a low price.

As far back as twenty years ago there was not so much trade in futures by the public as at present, and the packers' season was only four months in the year, beginning Nov. 1 and running to the end of February. They were obliged to slaughter and pack a sufficient amount in that time to last for the twelve months. It was at that time an almost sure thing to put the property in the cellar, taking the hogs from the farmer at a low price and charge the consumer a high price for it during the Summer months. Then followed the introduction of slaughtering and packing throughout the entire year, and it was not until about fifteen years ago that the Summer product was recognized by the Board of Trade as being standard and merchantable, and, although the products for three years previous were quite as good as the Winter packed, they could not obtain within a cent a pound of the price of the Winter packed goods. The Board of Trade is a good medium of exchange.

For instance, his firm might sell to a foreign country 10,000 boxes of bacon—they might not have any in their cellars at the time, but he could go to the Board of Trade and purchase the equivalent thereof for certain months that correspond with the months for which they had sold. Thus they are protected, and when the hogs come the packers stand ready to take them without any hazard to themselves, and consequently will work on a closer margin. The Washburn bill would make this impossible. There are two seasons of the year in which the packers accumulate a surplus. If there was only a continuous supply—just enough to supply the demand from day to day—a regular and uniform price might easily be obtained.

There is to-day in the West 500,000,000 pounds of hog product that is to be carried. Interest, insurance, and the cost of caring for the same must be borne, and uncertainties of the market considered. Now, if the packers had no outside relief from this hazard, they would naturally want to put this product in their cellars at a low price and would expect to realize a handsome profit for carrying it over into the season when these heavy stocks would be taken up by the trade. As it is now the speculators from all parts of the world have the right open to them to buy futures, and the packer has thereby the means of protecting himself, and is thus enabled to pay a better price for hogs, and is also enabled to compete closer with his neighbor, even though he may not have such a large capital. For myself and my company I am perfectly indifferent, from a financial standpoint, whether the bill is passed or not, but I will give you notice right here that, for the six months of the year when 75 per cent. of the hogs are marketed, the price paid for hogs will be much lower relatively than it is now, by reason of the greater hazard that the packers must take in carrying the surplus.

Mr. Cudahy summarized his objection to the bill—that it is a danger and a menace to the business interests and the business procedure of the entire country; that it is in the direction of class or preferential legislation, which will never work any good even to those whom it is supposed to favor. There is to-day an instance of this on our statute books, the tax of two cents per pound on butterine. This law was passed and this tax was imposed on the manufacturers of butterine for the purpose of maintaining a high price for butter. Manufacturers were put under a license—also the wholesale and retail dealers. The manufacturers and dealers were thus all put under the surveillance of the government. At the time

when the law went into effect there was not over twenty-five per cent. of the fat from the animals used that was available for the purpose of making butterine. At this present day there is 100 per cent., and there is not a particle of fat that can be obtained from the animals suitable for butterine which is not saved. Even with this tax of two cents a pound, and being hampered with a license, the trade is steadily increasing and Europe takes from us the oleo and neutral lard in large quantities to use in making butterine instead of purchasing American butter.

NEW YORK PRODUCE EXCHANGE.

PROTEST OF THE NEW YORK PRODUCE EXCHANGE AGAINST THE PASSAGE OF SENATE BILL NO. 1757, INTRODUCED BY THE HON MR. WASHBURN AND ENTITLED, "A BILL DEFINING 'OPTIONS' AND 'FUTURES,' AND IMPOSING SPECIAL TAXES ON DEALERS THEREIN, AND FOR OTHER PURPOSES."

To the Honorable the Senate of the United States:

GENTLEMEN:—The New York Produce Exchange received its charter from the Legislature of the State of New York in 1862. Some of the purposes of the corporation are therein set forth as being "To inculcate just and equitable principles in trade, to es-"tablish and maintain uniformity in commercial usage, to acquire, "preserve and disseminate valuable business information, and to "adjust controversies and misunderstandings between persons en-"gaged in business."

We have fulfilled our charter obligations in a manner that has obtained for us influence and leadership abroad, and confidence and respect at home. Our membership numbers three thousand active, business merchants, among whom are representatives from our large financial institutions and managers of all the lines of inland and ocean transportation centering in New York. Our sessions are held daily during the business hours; we are in continuous telegraphic contact with the markets of the old and new world, and the information thus obtained is free to all our large constituency.

While not entirely confined to, our business is largely in, the food products of the United States (both in their original and manufactured states) and its ramifications extend to the producer on the farm and the consumer in both the home and foreign markets. In fact it is almost impossible to fix a limit to the influence we exert, or say where it is not potently felt.

Having thus introduced ourselves, we now, in the name of the New York Produce Exchange, respectfully but earnestly protest against the enactment of the Washburn Bill for the following reasons:

First.—That it seeks to legalize a most pernicious and vicious system of gambling that is demoralizing and degrading, and to the operation of which our Exchange has always been opposed.

Second.—That it aims to overturn existing conditions that are the outcome of careful thought, and sound mercantile judgment brought to bear upon old methods that became inoperative under the strain of increasing production, the rapid development of railroad transportation, the more general and prompt transmission of business information, and the intense energy of commercial enterprise.

Third.—That it seeks to destroy existing benefits that legitimate sales for future delivery now confer upon the agriculturist at his own door, and through which he realizes what may be termed "the highest world price" at the time he desires to sell, less the cost of transportation and a minimum charge by the middlemen who stand ready at all times to purchase his products.

Fourth.—That it would drive to the wall a large army of middlemen, as a rule modest merchants of moderate means, but active, earnest, honorable, who are to be found in the smaller towns and villages located on the lines of our great railroads and who have done so much to build up their respective neighborhoods, and bring the commerce of the United States to the magnificent proportions that it presents to-day.

Fifth.—That it is veneered with moral and philanthropic pretense to hide a selfish purpose, which aims to injure the many for the direct benefit of the few.

FIRST OBJECTION.

The Bill in question, it is proper to state, makes a distinction in the meaning of terms which have heretofore, on our Exchange, been considered synonymous. Sales for future delivery have always been dealt in and deemed the established right of buyer and seller whenever the occasion required such transactions, but they did not become a recognized necessity for the purposes of protection against loss and for facility of operation until about the year 1875. Then, because of the rapidly increasing volume of business in farm products, they became more general, and for brevity were some-

times called "options," simply for the reason that when the period of delivery was arranged to suit the convenience of the purchaser, it was called a "buyer's option," and *vice versa*, a "seller's option;" in either case it was a transaction similar in all respects to the meaning given to the term "futures" in the second section of the Bill.

The meaning given to the term "option" in the first section is known to us as a species of gambling called "puts and calls" or "privileges," which are transactions opposed to law and good morals, and should not be permitted under any circumstances. Noticing a growing tendency in some places to tolerate such trading, this Exchange adopted a rule in 1887 which disciplines any member, by public censure, suspension, or expulsion, as the Board of Managers should determine, who may be proved guilty of making such trades on the floor of our Exchange.

If section one of this Bill suppressed altogether such vicious trading, we would heartily endorse it, but it is because the proposition is to legalize it, and place it on a parity with sales for future delivery, that we earnestly protest against it.

SECOND OBJECTION.

"That it aims to overturn existing conditions," etc. If there is any one element more noteworthy than another in advancing what may be termed the "agricultural" or "farm commerce" of the United States into the proportions it presents to-day it is the facility with which transactions can be made with all markets (foreign and domestic) for our surplus farm products, through the medium of purchases and sales for future delivery. It is impossible to give you the volume or value of home transactions as they are being operated daily in hundreds, I might even say thousands, of major and minor markets throughout the length and breadth of the land. Such statistics cannot be obtained, but from our Statistician I have received the declared value of the three great articles of commerce that are attacked in this bill, viz., breadstuffs, provisions, cotton, which were shipped to foreign countries during the year 1891. They are as follows:

Breadstuffs	$231,275,709
Provisions	130,321,693
Cotton	277,038,511
Total	$638,635,913

The total value of *all* articles exported from the United States (specie excepted) during the same period was $957,339,705, so that you are faced with the grave responsibility of dealing with a measure that directly affects not only our enormous home trade, but also almost eighty-one per cent. (exact $80\frac{97}{100}$) of our total foreign exports (specie excepted), and all parties who are directly or indirectly interested therein.

Now, we do not hesitate to say (although we speak more from an experience in breadstuffs and provisions, but our cotton friends are present and will please correct us if we are in error) that by far the larger part of these enormous shipments were purchased by the exporter for future delivery, and that before they reached the port of ultimate shipment they formed the basis of transactions for future delivery outside of the exporter, aggregating a very much larger amount, every one of which was legitimate and mercantile. But this is not all. The vessel service which was required to transport all this merchandise to its place of final destination was contracted for, to a very great extent, long before the vessels sailed for their American ports, and the bills of exchange which provided the "ways and means" for payment were also largely sold to the dealers in foreign exchange, for future delivery. In fact, almost every element in these shipments partook of the "future" character, the object being to minimize the risk arising from a possible change in market values between the date of the original purchase from the producer and arrival at the place of consumption.

We will make a further statement relative to these shipments and challenge its contradiction. If the "future" element had been eliminated from such transactions the volumes of our exports would have been much decreased, and the farmer would have received a much less price for the product that he would have been able to market, for the reason that under the old regime the middlemen, who were generally firms of large wealth, required a very much larger percentage of margin against possible loss than is required under the present system.

Now, what is urged in opposition to future sales? It is said that this system is used as a cloak for transactions which sometimes savor more of gambling than of legitimate operations, and the assertion is made that, as a large part of the merchandise sold for future delivery on our prominent exchanges is never actually delivered to the original purchaser, this fact is prima facie evidence

of their illegitimate character. Before answering this statement (and it is held to be true, we doubt not, by many who have only superficially examined the subject) permit me to present the form of contract that is required in these future transactions. It reads as follows:

GRAIN CONTRACT.

NEW YORK, February, 1892.

In consideration of one dollar in hand paid, the receipt of which is hereby acknowledged, I have this day SOLD TO (or BOUGHT FROM) Richard Roe, 5,000 bushels of No. 2 wheat, New York inspection, at 100 cents per bushel of 60 lbs., deliverable at seller's (or buyer's) option in May, 1892.

This contract is made in view of, and in all respects subject to the By-Laws and Rules established by the New York Produce Exchange, in force at this date.

JOHN DOE.

It is concise and definite and in every respect legal and binding. If either one of the contracting parties desires actual delivery under it, it must be made, and there is no power extant that can relieve the other from this obligation, or the damage that may arise from such non-delivery. It is true, however, that at times a large, and during seasons of great activity such as we have just been having, a very large proportion of these future transactions are not consummated by actual delivery, but this is done by mutual consent of both parties, and for which an equitable mercantile equivalent is substituted, simply as a convenience to facilitate settlements, which under the old system of actual delivery under all circumstances, was found to be cumbersome and attended with the loss of valuable time and risk. Take New York, for example. It is a great objective point for mercantile transactions made on behalf of parties throughout the old and new world. With such a constituency it continually happens that the merchant who sells to-day is a purchaser of the same article to-morrow, and in the aggregate of these transactions it also often happens that a transaction in which he was the buyer can be matched with a subsequent one in which he was the seller of the same description of merchandise and for like delivery in all respects except as to price, and when this matching does take place differences in value only are paid and the contract closed without going through the forms of delivery and re-delivery with all their attendant inconveniences. In such cases, and they are the only ones where actual delivery does not take place, there would be absolutely nothing gained by

a strict adherence to the old rule, and therefore it was willingly abandoned.

Perhaps this can be made more evident by citing the bank clearing-house system in vogue in all our large cities. By means of this system enormous daily monetary transactions are settled in a very few minutes by the actual interchange of comparatively small sums of money. Bank A receives on deposit during the day checks on Bank B to the aggregate of $200,000 and Bank B checks on Bank A to the aggregate of $190,000. The following day these banks send their respective claims to the clearing-house, and that of B is matched against that of A, as far as it will go, and the balance paid in cash. In this hypothetical case a joint indebtedness of $390,000 was settled by the payment of only $10,000 of actual money, and yet every item in the major amount was legitimate, nor did the system of settlement employed suggest that a single fictitious element had entered into the transaction from its inception to its close. It was the growing business of the banks that suggested the invention of the clearing-house, just as it was the urgent needs of commerce to improve upon the old method of actual delivery in every instance and under all circumstances that suggested the application of the clearing system, when practicable, as a more rapid and convenient means of settling contract obligations. In like manner the railroad, the steamship, the telegraph, and the telephone, have all been made the servants of commerce, and each has contributed its quota in aiding her marvelous development, and now all such means are deemed absolutely essential adjuncts, which cannot safely be dispensed with. But even if the charge "that some illegitimate speculation is operated under the cloak of sales for future delivery," is true, what then? Is a great public good to be abrogated because of a claimed inability to entirely check a minor defect? It is as impossible, at all times, to draw the line so definitely that a mercantile offence of this character cannot be committed, as it is to make laws which will absolutely suppress all crime. But (as far as an intelligent consideration of the subject can suggest remedies which will counteract this injurious influence) you will find our Boards of Trade and Exchanges have not been idle, and by rules and bylaws have controlled these "commercial pirates" to a strict accountability for their acts. Here is a rule that holds both buyer and seller to a money responsibility that they cannot avoid :

"On all sales or purchases of grain for future delivery either party "to the contract shall have the right to call an original margin of ten "cents per bushel on wheat, rye and barley, and five cents per "bushel on corn and oats, and a further margin from time to time "to the extent of any variation in the market value from the con- "tract price."

This rule is both restrictive and protective, and forcibly reminds each party entering into future transactions that he must put up his money and leave it beyond his control till he has fulfilled his obligation, as an evidence of his good intent. It also limits the "short seller" to the ability of his pocket to respond to marginal calls, and keep the margin good. Now, when it is remembered that the "short seller" is operating in the face of a world-wide market, it is evident that the moment he gets below legitimate values he will be overwhelmed with purchasers who are always on the lookout for bargains, and who will insist on the money protection under the marginal rule. It is our experience that the application of this rule is a most effective check upon the professional "short seller." Here is another rule which is equally protective, but in another direction, and is given as an evidence of the thoughtful care that surrounds all these future transactions:

"RULE 32.—SEC. 1.—In case any property, contracted for future delivery, be not delivered at maturity of contract, the purchaser shall notify, in writing, the Committee on Grain, of the failure to deliver, and the Committee on Grain shall, at the next call, publicly read such notice, and buy in the grain for account of the party directing the purchase, but no unreasonable price shall be paid, arising from manipulated or fictitious markets, or unusual detention in transportation. Any legitimate loss resulting to the buyer shall be paid by the party in default and the grain so bought shall be a good delivery on defaulted contracts maturing that day."

Under this rule the person who aims to operate a "corner" is quickly defeated, for a manipulated or fictitious price cannot be enforced.

These examples could be largely multiplied, but we infer that enough has been said to show that the possible evils of future sales have been much exaggerated, and that their correction has received, and is continuously receiving, the thoughtful attention of honorable, competent men.

THIRD AND FOURTH OBJECTIONS.

"That it will injure the producer by restricting the range of his market," and "will drive to the wall the large army of middlemen"

is so self-evident, and will be treated of, doubtless, by the representatives of the Boards of Trade nearer to the sources of production and the homes of those active traders, than we in New York, that I will not occupy your time discussing it, further than to say, that the absolute success of a large part of the business enterprises operated on, and through, our Exchange is almost wholly dependent upon the agricultural classes, and the persons and firms and elevator associations with whom they directly deal. An injury to them comes rapidly home to us, and from that standpoint of intimate relationship, we give it to you as our deliberate judgment that you could not enact a more unfortunate or aggressive law against our common interests, than the Bill under consideration, which we denounce as ill advised, illogical, and in its spirit, bad.

To destroy by legislation the protective element furnished by sales for future delivery, is simply to drive a large "produce purchasing constituency" from the field, and would prove so disastrous to the agricultural classes that upon the first opportunity after they realized its injurious effect, they would relegate the legislator who advocated and enacted it into political oblivion.

FIFTH OBJECTION.

"It is veneered with moral and philanthropic pretence," &c.

In making this assertion we have simply stated our belief with the view of putting you on your guard, and inducing critical examination into motives, before reaching a conclusion. In seeking a reason for the introduction of this objectionable measure into Congress, we soon found to our satisfaction (that while ignorance of the whole subject and a laudable desire to shield the agriculturists from the "raids" of the "short seller," and the community at large from the efforts of the "corner" monger to give to food products an exaggerated value, had something to do with it) the more dangerous element was cloaked under the cry "that it was morally wrong to sell what was not actually held in hand." The authors of this foolish platitude, while posing as the "farmer's friend" are nothing short of his worst enemies. Their aim is to deprive him of his "world wide market" by driving off competition through legislative aid, and thus having corralled him into the narrow limits prescribed in this Bill, purchase his produce at their own time and price.

Many expedients have heretofore been resorted to, to induce the holding back of farm products from the ordinary channels of com-

merce (particularly in the Northwest) and failed, and now as a last effort, the Congress of the United States is unblushingly asked, under the plea of needed revenue legislation, to tax out of existence a mercantile right that is in every way lawful and never before questioned, and has proved of incalculable benefit to the commercial interests of the whole country.

Permit us to call your attention to the peculiar wording of this Bill, and especially to the bracketed words in the second section, reading as follows: ("or unless the articles so contracted to be sold "and delivered shall subsequently be actually delivered to the pur- "chaser for manufacture or consumption.") In other words, a miller can purchase wheat for delivery from any one who wishes to sell, whether he has it in hand or not, without the tax being operative on either party, provided it is delivered to the said miller for manufacture. A merchant or exporter cannot make such a purchase, because he is neither a manufacturer nor a consumer under this law, therefore the man who wishes to sell wheat for future delivery, without incurring the tax, which he has not actually in hand, has only the one class of customers, and they are the privileged millers.

Now, please examine the third section and you will notice that while all the products of the hog are made subject to the proposed tax, the product of wheat (flour) is not mentioned. Here again the miller is made the favored son of legislation. This may be the result of accident and not design, but when taken in connection with the fact that the exports of flour from the United States during 1891 amounted to the value of $64,783,861 and that it was largely dealt in for future delivery exactly as wheat, corn, provisions and the other articles mentioned in the Bill as subject to tax are, some idea may be formed of the immense advantage the proposed legislation would give to the large milling interest of the Northwest.

For these reasons we think we are justified in characterizing the measure as "hiding a selfish purpose which aims to injure the many for the direct benefit of the few."

Gentlemen, one word more and I have done. The United States is eminently a commercial country, and through her commerce, backed up as it is by agricultural, mineral, mechanical and scientific development, is rapidly becoming the wealthiest of all the countries of the world.

Let me call your attention to this fact, which, while we do not claim it as a result, we have a right to say of it that it is a coinci-

dence. Buying and selling for future delivery (although always more or less operated as now carried on) became the rule with the American merchant about the year 1875. Since that period (because of its protective element) it has been adopted by every European country with whom we trade, and it is found to give every satisfaction. For the seventeen years prior to 1875 the balance of trade *against* this country aggregated in round numbers $1,200,000,000. Since that period, which is also seventeen years, the balance in trade *in favor* of this country aggregates in round numbers the enormous sum of $1,825,000,000, of which amount $155,500,000 was for the year 1891. Do not these figures speak volumes for the men who hold the helm of commercial enterprise in the United States, and are not their views on commercial subjects entitled to consideration and respect?

We do not come here as suppliants, but ask for, in the firm hope of receiving, recognition for what we have done, and are doing, in forcing this country to the front. There is no egotism in our claim that the American merchant stands out as the central figure in our national development. He is as necessary to the agriculturist in obtaining the largest money value for his labor, as he is to his government to whom he contributes the major part of the revenues which it receives. He is the patron of the railroad, the steamship, and the wonderful discoveries of science, whose inventions he quickly adapts to the more rapid and economic requirements of his business. He is the friend, and to a great extent the supporter, of the professions and contributes largely to education, literature and the arts and every other refining influence that creates and furthers social happiness. It is consistent, therefore, that we should ask for, and you grant the fostering care of legislation to commercial enterprise, and that the great mercantile associations throughout the land, who are more directly responsible for the outcome and who are continually alive to the changes that are of necessity always taking place, are the best able to detect injurious influences as they arise and to suggest to legislative bodies the needed remedies.

Respectfully submitted in behalf of the

New York Produce Exchange,

By A. E. Orr.

February 16, 1892.

ADDRESS OF MR. DENISTON B. SMITH, SECRETARY OF THE PRODUCE EXCHANGE OF TOLEDO, OHIO, DELIVERED BEFORE THE SUB-COMMITTEE OF THE JUDICIARY COMMITTEE OF THE SENATE, IN OPPOSITION TO THE ANTI-OPTION BILLS, ON WEDNESDAY, FEBRUARY 18TH, 1892.

The bill before this committee is claimed to be in the interest of agriculture. It seems impossible for all people to examine and conclude alike on a great variety of questions, and I am sure the effect of this bill would be entirely opposite from that claimed by its friends. I believe the theory of the friends of this bill is based upon a positive misapprehension. In my judgment it is a measure that will strike a damaging blow to a great system of trading inspired by and rendered necessary by the matchless expanse of our country, and the enormous growth of its agricultural production. Its injurious effect will be felt in all the departments of business life. It would depress the prices of the leading agricultural products by diminishing competition for their purchase, and would extend the evil through all our other business interests. It would decrease the number of buyers to a mere handful, and give over the buying of farm products to the hands of a few strong dealers in each of the great centers, who would in such measure control prices as to insure large profit.

Such a condition of affairs would favor the interests of the farmers far less than the existing system. Dealing in commodities of this character is the outgrowth of our railroad system, which has given an opening to productions thousands of miles from the seaboard. This system has necessitated the prompt handling of cars at grain centers and a great elevator system and inspecting system, and the storing of wheat by its grade has been the result.

It seems to me Congress has never considered a question relating to trade of so great importance. No legislation respecting the business of this country, it seems to me, was ever attempted that concerns interests of such magnitude as this, on account of the capital employed and the values of the property involved.

If either of the bills before Congress are enacted into law it will prove in its results the most disastrous legislation ever inflicted on

this country. These are broad assertions, but a just and impartial conception of the vast interests concerned justifies them. This bill is based on an entire misapprehension of both causes and their effects. It is believed by members of Congress that the great agricultural interests of the country demand this legislation, and without a study of the justness of the claim perhaps many members may yield it support.

Granting farmers say they are benefited by this legislation, is that a reason for compliance by Congress? The farmers have demanded other things also, a sub-treasury, baseless currency, etc. Why should Congress attribute more reason to one set of mistaken ideas than another? The farmer is no less mistaken concerning this legislation than upon the effect of unlimited fiat currency. Our agricultural population are capable and intelligent, but great numbers of them have not the time nor the opportunity to become students upon all business questions, nor upon the effect on values of trading for future delivery. They have been deceived by men of a pretention to knowledge, but who are as ignorant on this subject as their pupils.

Let us look at the system of trading in this country and Europe in the light of reason, and see if we can disclose its ill effects on the farmers. And first let me point out that farmers themselves are largely chargable with the depreciation of their values, by throwing on the market in two months a volume of wheat greatly in excess of demand and which ought to be distributed over six months. These excessive receipts of wheat have the effect of depreciating prices.

Now, to limit the seller to the time necessary to prove ownership of farmers' contracts, when millions and millions of bushels are sold by telegram, would be to harness commerce to a team of oxen. In unrestricted trading these transactions are carried on on the basis of small profit and often at a loss. If trading is loaded with restrictions, and dealers must wait and ask a man for proof of his legal right to sell, his margin for profit decreases. The moment you place an obstacle in the pathway of free trading you limit and depress values. In the ratio that you hedge about trading, with conditions depressing to freedom of action, you increase the risk ; and if the risk is increased it can only be overcome by an increased margin for profit. Who pays this? It comes out of the wheat. What will be the effect of curtailing the number of dealers, if only a limited class are invested with the right to buy for future delivery? Will this condition tend to aid or depress the value of farm products?

Any man of sense knows that in the ratio you reduce the number of people wanting the same article do you reduce prices.

Any such restrictions of competition in buying wheat immediately after harvest, when all farmers are sellers and great quantities are moved, would reduce the price to farmers ten cents a bushel or more. Its effect for all time would be the same. You can't shackle commerce and trade with constitutional restrictions of any kind, except to promote the fulfilment of contracts, without adverse effects. Restrict this buying and selling by narrow hesitating detaining process of evidence of ownership of actual grain and you create an influence for lower prices. I beg to emphasize this point. It has worldwide significance and finds welcome recognition. If, gentlemen, you place an embargo on free trading by cumbersome enactments regulating it, these conditions will always and have ever reacted upon the value of property so dealt in. Is there not a sharp analogy between this question and real estate in Washington? If purchasers were confined to those desiring property for immediate use, would the values have so increased?

Suppose after the sales of large amounts of corn for the foreign market for future delivery the price of the market declines, a buyer desires to resell, possibly the corn is delivered. The proposed enactment would prohibit such a purchase by an American dealer for a foreign buyer, speculator, miller or consumer, because before he receives he can't resell. Do you suppose he will be as free a buyer? He has a limited margin at best. We can all see that such a restriction would occasion timidity, hesitation, and he would insist on a wider margin for the increased risk. This promiscuous selling does not have a depressing effect on the whole. For a day it may have, for sellers predominate, but a day or two later buyers predominate, and perhaps there is more than an equivalent.

I tell you, gentlemen, that an experience running back thirty years as to the effect of future trading justifies me in saying that this system is a great evener and regulator of market values. There are occasions when cash wheat could not be sold without lowering prices.

But the farmers are by no means united in support of this bill. I know this to be true in our vicinity, and there is evidence of the growth of this sentiment in the northwest. A day or two ago a gentleman, a large farmer at Fargo, is reported in the papers to have telegraphed Senator Davis, who says he is one of the most extensive farmers of the State, as follows :

"I regard the anti-option bill as ruinous to every interest the farmer has; that the passage of the bill will put farm lands here on sale. I pledge my personal honor I believe the enactment of this law will result in irretrievable damage to every agricultural interest."

The business results of the last crop are fruitful in salutary lessons to the farmers. They were advised by farming circulars to hold wheat, but these were utterly disregarded and the movement was unprecedented. They sold on the basis of near $1.00 through this system of future dealing. What did they gain? The price now is about ninety cents. Suppose the bill now before you had then been in force upon the statute book. Would it not have acted as a bar and obstructed the sale by the suppression of the facilities now permitted all along the line in this country and in Europe?

I am not interested to one dollar in perpetuating this system. Perhaps some of the active friends of it at Congress may say the same; but I classify these gentlemen as soreheads or politicians. I will show you what I think that means. Some of them have been in it and got hurt and are vindictive. Others are what I before referred to, seeking high place and making statements, perhaps under a misapprehension, to gain support.

What can be said of the authorship of this bill before you? Well, I can prove nothing, but I do challenge the motive which prompts it. The author and his partner represent an English syndicate in wheat dealing. I can easily believe if this attempt at breaking down prices is at all successful, this syndicate of English gentlemen will buy their wheat cheaper and sell flour abroad for a better profit. I can see quite as plain such a result would be of enormous advantage to them. I may say that I can't see why there is not about as much human nature to the square inch in some millers as in other people, and if my suggestion is fair, if the result of the passage of the bill is logically stated, it is enough to defeat it. I don't much believe as an American citizen that the farmers will rejoice very much by having values subject to purchase by English millers, and their making prices to suit themselves.

The gentlemen who are supporting this bill don't state to their friends that from August first, 1891, to February first, 1892, the export of wheat and flour expressed in wheat, from the markets in India, Russia, and other exporting States, averaged eight hundred thousand bushels per week in excess of the wants of importing countries, that increase in European and especially English stocks is the cause of the depressed values, and not dealing in futures upon

the Exchanges in this country. India has exported since April first last, nearly fifty million bushels against less than twenty-five million bushels last year. A statement was made in another part of the capitol yesterday or the day before, that India's wheat was diminishing. Now, that is not a fair statement, Mr. Chairman.

Ordinarily Russia can export one hundred million bushels. They have done it. They exported, with all their famine this year, up to the time of the Ukase forbidding exportation, thirty-nine million bushels. It is not best for this country to belittle and underestimate competition, for it is that which has to do with values, in my judgment, more than the question of selling for future delivery on the Exchanges.

Perhaps these gentlemen don't know that instead of there being a shortage this year in the world's wheat crop of about seventy million bushels, as reckoned in August, there has, since the final returns are in, been found to be a surplus of half as much. Perhaps they are incapable through prejudice or through mental infirmity of understanding that a change from a great shortage creating alarm to a moderate surplus above requirement is the cause for the decline in the price of breadstuff. These advocates have the assurance to say that the decline in prices has been caused by short sales. Their arguments only show a want of knowledge. By no means does it originate on the floor of Exchanges. By no means is the business conducted exclusively by members of Exchanges. These gentlemen forget the growth and the trading wants of a great people. These orders come to the members of Exchanges from all over the east and west, and I would make this significant statement that ordinarily there is no preponderance of either buying or selling. If for a day or two sellers predominate, in another day or two comes recuperation and the orders for purchase predominate. There is no harm done to the farming interest, on the contrary it is promoted by the future dealing.

The clamor for the suppression of this trading has no basis in fact, and if Congress pass this measure I most sincerely believe it will be repealed in the next Congress. Future trading has not depressed price values. It has come of over buying, over imports, and we must wait until a part is eaten.

Only yesterday, or the day before, the market for May wheat at Chicago advanced to ninety-three cents. Liverpool and London cables stated that the demand had fallen off at once at that price, and Chicago immediately declined two cents a bushel. It

was not short selling that did it. If there is not a market for this wheat, they don't care to hold it. This depression has come from over buying in the old market and we must wait until part is eaten. The prospect of starvation to a man, with two or three barrels of flour in the house, is too remote to excite solicitude. These gentlemen who know so much of depreciation by future dealing, don't mention that prices were lower before the era of this trading. Why? The buyer took large risks and a margin between the Lake and English market of ten cents a bushel for safety was not uncommon. In the old way the buyers of the surplus were the investors for a large profit; men who bought, when the price had fallen, to give them a large profit, and the wheat was held until a demand required it.

Now the dealers are willing to buy hundreds of bushels in the autumn and sell in May, at a profit of a cent a bushel over the actual cost of carrying. The dealer, under the present system, works with a smaller capital. Which is the friend of the farmer? The world moves and to my mind the pace is appalling. It is a new era in trade and commerce. Steam and electricity have touched and quickened all our faculties. We can't go slow if we would. I defend the mass of traders on the Exchanges from the charge of being, as a mass, speculators. The large majority simply execute orders sent them. These orders are by no means all speculative. Many of them are in the direct line of safety; are simply a protection or insurance against loss.

But, suppose they are speculative? Speculation is as old as the world, and while it may be immodest for a layman to say so, has the question of a man's right to speculate with his own money ever been controverted? I can admit there is a time when it has depressing effect on prices, but it is not lasting. The market finally recovers its equilibrium, and the Hutchinsons and the Pardridges ultimately land on their heads. Deducting this element, and on my conscience I believe ninety per cent. of the dealing for future delivery is in the interest of the market. I don't know how to eliminate the remaining portion without destroying the whole system, and the greatest authority on this earth declares it is better to let the wheat and the tares grow until harvest.

MR. PUGH: Now, Mr. Smith, I have been interested in your presentation of this question. You have made a very able defence of this system. I consider your paper a very valuable contribution to the learning upon this difficult problem. Now, I have been asked

the question frequently whether, in view of existing conditions, it would not be better in the long run to resort to this remedy, test its value and let those who expect to derive great benefit from it learn, by experience, which is the only way they can be taught the ruinous consequences of such legislation. Whether it would not be better for the country to suffer the evils that you think would result from this legislation, and let the government resort immediately to a repeal of it, and to come back in a condition of repose for the country, and of satisfaction with the fruitlessness of this experiment. Would it not be better to let them try the experiment and then get rid of it as early as practicable after they found out its ruinous effects? Would not the evil of that sort of an experiment be less than this continual agitation, this continual disturbance, and the continued existence of the existing conditions? There is no other remedy equal to that of actual experience in the trial of this sort of legislation, and if the consequences follow from it that are predicted, and that I agree with you, quite believing they will come, why it is a very easy matter to change. They will all willingly consent then to repeal such laws and come back to the existing system. Now that question has been asked me. It is producing an effect upon Senators and Representatives in the determining of this question. What is your idea on this subject?

MR. SMITH: Well, sir; in the first place, I think the passage of either of these bills into law would produce a very great shock to the business interests of the country. It could not be otherwise. It would suspend for a year or two, in any case, all kinds of legitimate trade. It would produce such a shock to the business interests of the country and would so disarrange the whole system of buying and disposing of the surplus products of the country, that I can't find, in my own mind, any corresponding benefits that may accrue to it by the passage of the law. This excitement, Mr. Chairman, has not been produced by the Exchanges, and as the Exchanges have opportunities and have disseminated information upon this question among farmers, they, the farmers, are beginning to look at the other side.

Address of Mr. E. P. Bacon, President of the Milwaukee Chamber of Commerce, Milwaukee, Wis., delivered before the Sub-Committee of the Judiciary Committee of the Senate in opposition to the Anti-Option Bills, on Wednesday, February 18th, 1892.

In opening his remarks, Mr. Bacon called attention to what transpired at a meeting of the National Board of Trade, held in Washington, some three weeks previous in relation to this question.

A resolution was introduced for the consideration of the National Board opposing this legislation, and upon its presentation it was manifest from intercourse with members in attendance, that probably three-fourths, and perhaps nine-tenths, of the members of the National Board of Trade were in favor of the passage of the bill. That Board of Trade as you are aware is made up of the leading business men in the different cities of the country selected by boards of trade, chambers of commerce and commercial organizations to represent them. Now that class of business men, assembled together to take up this question for consideration, were largely in favor of the passage of the bill; but when the full discussion of the subject had taken place and the question was put to a vote, it was found that the resolution introduced opposing such legislation was adopted almost unanimously; only three or four dissenting votes; thus showing the effect of examination by persons who were conversant with the trade.

After making this statement, Mr. Bacon said:

I will endeavor in my statement to avoid going over ground already covered, so far as I am aware, and wish to say in the outset that this system of future trading is the outgrowth of the circumstances of the business, arising from its constant increase from year to year during the past twenty years. That is, it is not a system devised for the purpose of speculation, but simply for the purpose of protection on the part of those engaged in trade. It is made use of by the speculative element of the country for the purpose of speculation, but it seems to me a system of this kind, which is the outgrowth of natural lines of trade, ought not to be interfered with or interrupted in any way, because perchance some element of the country has taken advantage of it for their purpose, that is, for the

purpose of speculation. The result of the system is such that it has reduced the margin on which business is transacted to the lowest possible point. In former times, before the growth of this system of trading, the margin usually required for the handling of grain, over and above the expense of handling, was about five cents per bushel, which was requisite in consequence of the fluctuations of the market which the buyer had to take the risk of.

Now, under this system, by which the buyer as soon as he comes in possession of the property is enabled to dispose of it in the market almost instantly, the buying margin prevailing throughout the Northwest does not exceed on wheat one cent a bushel on the average, and on corn and oats half a cent per bushel. The same is the case with reference to the miller. The facilities afforded him for protecting himself from loss by decline in the market enables him to protect his flour, and put it on the market at the smallest possible margin, that being practically not more than ten cents a barrel; whereas, in former times, it was from fifty to seventy-five cents. The same is the case with the exporter. The exporter takes his stock and immediately sells a future in the market against the stock of grain which he exports; and consequently he bases his profits upon the smallest possible margin. So that, from the producer, through the hands of the country buyer, to the commission merchant, at the point of concentration, and from that point to the seaboard and from the seaboard to the other side, each and every one of them is working on the closest possible margin, and each is seeking to avoid the risks of the market, which he is only enabled to do by resorting to this system of sale for future delivery; and by means of that, those extra profits or extra margins, which in former times were required to cover the risk of loss from fluctuations in the market, are entirely done away with, and these risks are assumed by the speculative element of the country, which has become very extensive, and the resulting difference, whether in their favor or against them, is borne by them. This eliminates from the actual transactions of the business the speculative risk, the risk arising from fluctuations of the market.

Now it must be manifest to anyone studying the interests of either producer or consumer that this is a very great and immense benefit to both classes of people, which comprise all the people of this country. To adopt any measures that will interfere with this is detrimental alike to the producer and the consumer. It may be said, and I have heard it intimated this morning, that from the fact

that the bill does not interfere with the sale of property of men actually owning it, business will not be interfered with; but the greater facilities you extend to this kind of business the greater will be the volume of trade. It is essential that this trading should be made on the instant. If you reduce the volume of this trading by shutting off sales for future delivery of property, unless the property is actually owned by the seller, you to that extent cut off the number of men who are engaged in the legitimate business of handling the products of the country by preventing them from protecting themselves against fluctuations in the market. And where now the margin required is only from half a cent to a cent a bushel on wheat and ten cents a barrel on flour, they will be doubled or trebled, if not more, on account of the reduction of the facilities for protection against loss which is required, and that expense must fall on the people at large.

Now if this speculative element of the country chooses to come into these boards of trade and carry on these extensive operations by means of the facilities that are provided for the legitimate traders, why should they be prevented from doing so? No one suffers but themselves. If there is a loss they are the ones that bear that loss. The country at large has no interest in the matter whatever. It has no concern for the country at large what the body of speculators choose to do. If a man chooses to risk his money on the purchase of grain or in the sale of grain it seems to me it is no concern of anyone but the man who engages in the transaction; and while there are instances of trading in this way that are undoubtedly pernicious from the fact of their being engaged in, by those who are not able to bear the losses sustained, yet it seems to me that affords no reason why this volume of business should be restricted, which is so useful and important in the carrying on of the legitimate business of the country.

I will say here that the general effect of short selling in the depression of prices as a presumption is altogether incorrect. That, in my judgment, from an experience of over twenty-five years in the trade, the short selling of property produces no influence upon the market in the depression of prices which is not very shortly, and almost immediately in fact, counteracted by the next purchase of a corresponding quantity. Short sales cannot be made with impunity and a man cannot put out his contracts for the future delivery of property and continue to do so and depress prices in the operation without being called to account for it.

He must buy the property right in the same market to clear that sold for future delivery, and that purchase, when it is made, must necessarily exert precisely the same influence, or as great an influence, on the market in the opposite direction as his sale which had previously been made. So that one influence has a reactionary effect on the other, and it is impossible there should be any depression, except momentarily, produced by the short selling of this property.

I wish to say further that I believe the volume of this short selling as compared with the volume of sales based on actual property itself is also very greatly overestimated. It was stated in the Committee of Agriculture yesterday by Mr. Pillsbury, of Minneapolis, who is in as good a position to know as anyone, that there is from forty million or fifty million of bushels of short wheat on the market. All the men of the time believe that to be so. There is no means, to my knowledge, of ascertaining with any degree of accuracy what that amount is, but perhaps these figures are correct. For the sake of argument suppose they are. What relation does that bear to the actual grain against which sales have been made for future delivery? I will endeavor to show you. Bradstreet, who is one of the best authorities for grain statistics, represents on February 1st, the available stocks of wheat at some sixty points of storage, including the important country points as well as the commercial centers, east of the Rocky Mountains, at 66,500,000 bushels. I omit the stock on the Pacific Coast for the reason that that enters but partially into the sales in the eastern market. Bradstreet estimates 66,500,000 bushels in store at these points. The stocks in the hands of northwestern elevators is estimated at 13,000,000 bushels. I estimate the stocks in the other warehouses in the country in other States in the Northwest outside of Minnesota and the two Dakotas, will not be much less than 20,000,000 bushels, including Nebraska, Iowa and Missouri, which are all producing States, and also the winter wheat growing States east of the Mississippi river. I estimate there is in transit from points of purchase in the country through to the commercial centers and the seaboard in the aggregate not less than 10,000,000 bushels. There is held in mills and private storage throughout the country probably not less than 15,000,000 bushels. This is merely an estimate, but from knowledge of the trade, it is a very safe one. It may be as much again, but I wish to be within the limit. That makes an aggregate of 111,000,000 bushels of actual wheat in this country out of the

farmers' hands. In addition to that I estimate the exports afloat for Europe and Great Britain not less than ten millions as sold against at markets in this country. It is well known by those in the trade that most of the grain exported is sold against in the markets in this country to be carried during its passage, and when sold on the other side, the future sale put out against it on this side is bought in, which process secures to the exporter his margin with perhaps one cent a bushel, in the absence of which facilities he would want about ten cents. That makes an aggregate of 121,000,000 bushels.

Now with the present practice of trade probably nine-tenths at least of that amount is sold for future delivery in the various markets of the country, from the fact that every grain dealer and every miller and every exporter makes it an almost invariable practice to sell against his stock whatever it is and wherever it is. So we will say there are 110,000,000 of this actual existing stock which is sold for future delivery, and which is the bases of these contracts turned over and over again on the boards of trade, against forty million bushels sold there of short wheat. So you will see that the short wheat will correctly represent only about one-third of the actual wheat upon which these future sales are based. Now, the general impression seems to be that the bulk of the sales on the Boards of Trade are based simply on short wheat. But I think from these figures you will readily see that certainly no more than one-third and probably no more than one-fourth of these transactions are based upon what is termed before these committees "wind." So that the effect of short selling, whatever it may be, is immensely exaggerated, and the depression in prices, which is attributed to it, is largely, if not wholly, imaginary. But my own opinion is that the simple fact of there being this amount of contracts upon the market which are the subject of trade, of transfer from one to the other over and over again whenever a dealer sees a profit in it that suits, it may be from a half cent to five cents ; all this increases the aggregate of trading and hence the facility of making the desired transaction for future delivery by the party who is actually handling the property and moving it from the producer to the consumer; and consequently enuring to the benefit of both producer and consumer.

The depression in the prices of grain which have been alluded to by those interested in the passage of this bill so strongly, as compared with the prices ruling in previous years, comes entirely from

other causes. The production of this country has increased immensely in the past twenty years. The Agricultural Department in its December report makes a statement giving the average production of the principal grains for two periods of ten years, that is wheat, corn and oats. The periods are from 1870 to 1879 and 1880 to 1889 inclusive. It is stated in bushels, and the difference in the average production of each of the periods of ten years, as shown by these figures, is an increase in wheat of 44%, in corn of 44%, and in oats of 86%.

Now this necessarily increases the amount of grain which is put on the market for sale, increases the supply for the consumption of this country and of Europe, and it is the increase in this production which has contributed largely to the depression in prices. But concurrent with this increase of production in this country is the increase in India, Egypt, Australia and South America, all of which have contributed in the past ten years immense quantities of wheat to the world's supply, and that increase in addition to the increase of this country has had this depressing influence on the market.

Further than that, it is well known to those who pay any attention to economical questions, that the margins of all kinds of products, including manufacture and mines, have declined largely in price during the last ten or fifteen years the world over, and the decline in wheat and cereal products is no greater in proportion than the decline which has taken place in everything else ; not so great as in many articles. You may take iron, you may go through with all the principal products, and you will find all have declined in as large a proportion and many in much larger proportions than the cereal products of the country. So that this attributed depression in values as the result of this system of short selling is altogether imaginary. The cause is to be found elsewhere, and principally in those sources to which I have referred.

Now the position of the agricultural products of the country is peculiar with reference to its disposition in the channels of trade ; different from any other product. Manufactures and minerals even are produced steadily and gradually from month to month throughout the year, and are produced as nearly as possible according to the measure in which they are required. If an over-supply is found to prevail in any particular article, in iron or copper or any other article, the production is immediately reduced in consequence ; so that the supply which is placed on the market is meas-

ured in accordance with the demand which exists for it. Consequently the prices of these commodities regulate themselves. But you will see that the case is very different with reference to agricultural products. They mature and are placed on the market, a whole year's supply at once. They are placed by the producer upon the market for immediate sale, and figures will show that during the first four months of the year after harvest two-thirds of each of the cereal crops are marketed.

Now if there is only enough to carry through the year, there is double the quantity marketed during one-third of the year that there is a demand for. That property must be carried from the time of its production and being thrown on the market, until the time it is required by consumers, by some different prócess than that in existence with reference to other productions of the country, and that means that the carrying of it is provided by the extensive facilities for speculation. Capitalists, who think they see a profit in buying and carrying this grain until wanted for consumption, invest in it. Men of small means who think they see a profit in it will send a margin of five or ten cents a bushel, more generally five cents, to a commission merchant, to invest, in twenty times the amount that five cents a bushel will buy. That makes an extensive element for the carrying of this property during this period when it is not wanted for consumptive purposes; and it is a medium, as you will see, which is very necessary to the sustaining of prices during this period.

In former times before this system developed, a rush of this property on the market, although not in bulk existing now by far, produced an extended depression in prices, and during the first three or four months of the crop it was expected by the millers to obtain a sufficient supply of grain for milling to last them through the year, feeling sure that, as the crop year advanced and the consumption of the world required this product, there would be a greater elevation in prices, and that was the experience almost invariably from year to year. And to my mind that is one of the chief motives why the milling element of the country, or a portion of it, seeks to bring back that state of things, and be put in a position where they may lay in their stocks, that are sometimes sold below their value by the farming element of the country, and hold them in their mills and elevators until they can dispose of them at constantly advancing prices as the season advances and consumption requires them.

To show you the extent of the grain trade of the country in comparison with other trades, I wish to present to you an estimate of the Agricultural Department of the farm values of the principal cereals produced during the past year, which in wheat is $513,000,000 and upwards; in corn, $836,000,000; in oats, $232,000,000 and upwards; making an aggregate of $1,500,000,000. And of rye and barley I have made an estimate from their former values together with the statement of production, amounting to $40,500,000 and $77,000,000 respectively; making a total of $1,700,000,000 in value at the farm, not at the commercial centers, of the cereal products for one year, and the values of a year's products do not vary much, because on short crops prices are higher, and on large crops like the present they are lower. The variation will not be more than $200,000,000 in value a year. Here are $1,700,000,000 worth of this property, and it is rushed upon the market largely within four months of the time of their being harvested, and which must be provided for, as I have said, in a different method from those required in any other products of the country.

MR. PUGH: Do you mean that amount of surplus for sale?

MR. BACON: That is the gross production. I have no way of separating the two, but it shows the magnitude of the interest involved. The cotton crop of the country, which is handled in the same way, is estimated at $303,000,000; for last year, $370,000,000. The meat product of the country at from $600,000,000 to $750,000,000 annually, which, added to the cereal production, makes an aggregate of $2,600,000,000 in value, a large proportion of which is disposed of in the course of trade; and what is required for the whole year, is disposed of during a small portion of the year.

These figures, of course, convey but little idea to the mind without comparison; but when we consider that the silver production of the country, which has been the subject of such expensive legislation for the past fifteen years, is annually about fifty million dollars in value, we will see that it is relatively more than fifty times as much. To go further, the value of this annual agricultural production of the country nearly equals the aggregate of the national debt at the close of the war. It is only by comparison that we can get an approximate idea of the magnitude of the interest involved in this question.

Now I wish to call attention to the fact that this legislation, if it is to have the effect it is expected to have, and which is undoubt-

edly the object of the promoters of this measure ; this legislation is in favor of a class, in favor of the producing class, and if it produces the effect desired it is legislation against the interest of the consuming class. It stands to reason whatever enhancement of value may ensue to the farmer falls necessarily upon the consumer. Now the census of 1880, the figures of 1890 are not yet published, shows the number of persons engaged in all gainful occupation in the country was 17,392,000 in round numbers ; of those engaged in agriculture there were 7,070,000, constituting 40 per cent. of the whole. Those engaged in gainful operations comprise merchants, the manufacturing and the mining interests of the country ; those engaged in agriculture comprised all who were engaged in any branch of agriculture, not only in raising grain and live stock, but forests, tree men, every branch of agricultural service ; showing that forty-four per cent. of the population is directly interested in the production of agriculture. And for the benefit of that forty-four per cent. the other fifty-six per cent. of the population, if the passage of the bill is accomplished, are to be taxed. Or to speak more properly, they are to be deprived of the benefits resulting from the operation of the natural and established laws of trade in their favor, in order that forty-four per cent. of the population may receive that benefit. The injustice of that is apparent.

I wish to go a little further on that point. Of those engaged in agricultural pursuits the number so engaged in the cotton States is 2,837,000, which, deducted from the whole number engaged in agriculture, leaves 4,833,000 presumably engaged in the production of cereal and meat products, which will make a percentage of twenty-eight of the aggregate. Instead of those who are raising cereal products and who are supposed to be benefited by this Bill being forty-four per cent. of the whole it would only be twenty-eight per cent. of the whole. Those who are engaged in raising cotton are of course consumers of cereal products and meats, which are raised in the North. They will become farmers in consequence of the enhanced values that are expected to result from the operation of this Bill. I believe this supposition to be false and will not be realized, but it is the purpose of the promoters to produce this benefit for those who are engaged in raising the cereal and meat products of the country ; and if so it benefits twenty-eight per cent. of the people at the expense of seventy-two per cent. of the people. Now, I submit whether this is fair legislation, to say nothing of the wisdom of it.

Mr. Pugh : The cotton producer becomes interested as a purchaser in the sale of the cereal food products. He joins the purchaser in interest, interest in a lower price. The producers of the cereal and meat products, he becomes a purchaser and interested in the low price when he wants cotton. So that these producers change their relations according to the character of their products. They become purchasers or sellers according to the character of their products.

Mr. Bacon : I see; but the producers of the cereals probably do not use one-tenth as much of the cotton produced by the cotton raiser as the cotton raiser does of the cereals produced by them.

Another unfavorable effect this Bill will have is to remove one of the most important checks and the only effectual check which has yet been found against the working of corners. Corners could be carried out with almost certain success if the parties who are managing them had simply to contend with the actual products and if the facility of selling property for future delivery before it is owned were taken away. Corners could then be conducted and carried on successfully and undoubtedly would be frequent. Boards of Trade have been baffled in their attempts to prevent corners by rules, and some of them, notably Chicago, have found these rules utterly ineffectual. The only check against the formation of corners is the facility for short selling. Men of nerve and men of determination will sell short when a corner is being manipulated to an immense extent, and take chances of being caught in the corner or of breaking the corner ; and the fact is most of our corners have been broken, almost without exception, by short selling ; and what restrains men now from attempting corners in grain and pork products is this facility for short selling.

In this connection I beg leave to say that our friend, Mr. Pillsbury, whose remarks I heard in the other room yesterday, although he stated he had never sold short, is not quite as innocent of speculation as he would have gentlemen believe. In the past five years he has been at the head of two extensive corners and a third partial one, in which he was defeated by these very facilities for the short selling of grain.

Mr. Brigham : I wish you would explain what the effect of a few thousand million of bushels of wheat would have, before the farmer commences to market his crop. I mean the offering of that amount of wind wheat.

MR. BACON: In the first place a few thousand million bushels of wheat is very rarely met with.

MR. BRIGHAM: But in such a case what would the effect be?

MR. BACON: Short sales may aggregate a thousand million of bushels, but at no one time could there be such a sale. I think probably the estimate of Mr. Pillsbury is correct, somewhere about from forty to sixty million bushels. We will reduce it to that, and I will say in reply to this question that the foreigners sent over here in June and July, when they saw their crops were going to be immensely short, for the purchase of wheat which they saw they were going to need, and sent orders here for that wheat, which was purchased largely. But they did not expect to purchase wheat; they expected to purchase wind and did not expect to get it converted into wheat and get it moved, but expected to sell it here at a profit. There are men who handle wheat for actual mercantile purposes on the other side as well as here; and there are also speculators there as well as here. They only thought of the report of the short crop throughout Europe, and though they heard reports favorable to the growing crops here, they did not credit these reports from this country and did not believe them as firmly as they did the reports from Europe in regard to short crops. They thought they had a chance to come in and take a little slice out of the American people by buying this short wheat, and when the time came that the immense shortage in Europe was fully realized and the prices enhanced in consequence, they sold out the wheat and took the profits home with them. Now, as to the effect on the markets here of that operation I will say simply this. The men who sold their wheat sold it with the expectation that prices were going to be lower, not because they wanted prices to be lower, but because they thought they saw a profit in the sale of that wheat. They knew what the crop in this country was, they saw that, and what men see has a much greater effect than what they hear or read about. They saw the large crops coming, saw the prices prevailing for them, and they made this attempt from the other side for the purchase of this wheat for future delivery at about $1.15 and $1.20 and sold it to the people on the other side very early, because they saw wheat was growing. They *believed* that the immense crop in this country would more than supply the deficiency on the other side, and consequently they made this attempt and sold this wheat to the other side. Now, what was the effect on this market of making these sales? Just nothing at all; because those men who had sold their wheat had

not got it and had to go in the market when the wheat moved and buy it, or buy it beforehand from some other man who, like themselves, chose to sell short; and the very fact they had to buy as many bushels as they sold, did not change the price of the commodity one particle from what it would have been if the Englishmen had not sent over orders and Americans had not sold the property on this side.

The price went down on this crop, not because men had sold the crop short and wanted it to go down and endeavored to put it down for the sake of making a profit on their sale, but it went down because the people on the other side, as the crop progressed further, saw it was larger than they supposed it was, and when it came to be harvested that it was larger than they supposed before harvest. Our people found out the same thing, that instead of harvesting fifteen or sixteen or eighteen bushels to the acre, as was expected, they found, when they came to measure out the wheat at the thresher, they had twenty-five and even thirty bushels to the acre. People on the other side changed their views as to the value of this crop. Again, as soon as the wheat matured and came into channels of trade, it was rushed over to the other side and accumulated there, and their stocks increased; and while their wants were immense, property was going to them in four times the volume wanted from week to week and month to month. Their stocks in store were continually increasing, and I suppose they have stocks now on the other side sufficient to last for three months.

Now, this depression in the price of products was produced by the development of the facts that the crop was so large. It was estimated so much near harvest, and again when harvested and still again when weighed, when it was found to weigh three or four more pounds to the bushel than was expected, consequently as wheat is sold by weight the crop figured up more than usual. There has been a constant increase in the supposed result of this crop of wheat at every stage and that has affected prices, and these sales had no more effect in influencing them than if I tried to lift myself by my boot straps and expected to overcome the effect of gravity.

Mr. Brigham: After these gentlemen in Chicago had sold all the wheat they wanted to invest in at a certain fixed price, what was then the interest of the sellers in Chicago; was it not to their interest to put down the price of what they had to buy to deliver? Would it not be to their interest to depress prices if they could?

Mr. Bacon: Certainly; if they could.

MR. BRIGHAM: And they would if they could?

MR. BACON: Yes, sir.

MR. BRIGHAM: And a great number would if they could?

MR. BACON: If they could; but a man has no more power to depress prices than he has to go to the moon. It is because at the moment a preponderance of speculative sentiment is one way or the other. There is a preponderance of buyers one time and another of sellers. When sellers preponderate prices decline and vice versa. These sellers can't depress prices, because they are continually changing place as they are continually in the market.

MR. BRIGHAM: Another question. Some people assume I am here with the millers and in their interest. We know what we are here for. We want to represent the interests of the farmers. Some have represented we are political aspirants. Now, you have assumed that forty-four per cent. of the population of the country are on one side of this question and fifty-six per cent. on the other. Are you aware that all the labor organizations of this country have demanded, one and all, this kind of legislation?

MR. BACON: I am not aware of it; but what has that to do with the question? People very often have thought that a certain thing was to their advantage and afterwards found it was not; and I think when this question has been fully discussed the farmers and the laborers will see for themselves that the present order of things is altogether for their own interest.

THOMAS A. WRIGHT: Mr. Bacon, in connection with this discussion as to the enormous amount of wheat sold in July and August last, is it not a positive fact that the wheat that was sold on these Exchanges both in Chicago and St. Louis at about ninety cents a bushel by the short seller and to whose interest it was apparently to depress the market, these same short sellers were compelled to buy that wheat back at from a dollar to a dollar fifteen a bushel, no matter what their interest was?

MR. BACON: Undoubtedly that was the case. A further point I wish to refer to is that this extensive trading in property for future delivery is not only as has already been said, an evener of prices, but it is also an equalizer of prices in various manners. I consider this system of trading the great balance wheel of prices. It is the great regulator, the great preventer of excessive and extreme fluctuations, and of frequent fluctuations. I can go back in my own experience fifteen or twenty years, and remember, in offering property on the market, that after making a sale of one car or a few cars of wheat to

a miller for consumption, who was then the only buyer, or to a shipper, I would have to sell other cars of precisely the same quality at one, two, three and sometimes five cents less within fifteen minutes time, from no reason in the world except that each of these buyers for shipment had got all he wanted. His order was filled if he was a buyer or his stock was full if he was a miller. Either party could not be prevailed on to buy any more except at a decline in price, which he considered an inducement, and consequently fluctuations are wide and frequent when trade is confined to those who desire property for actual use. And in cases where property is being pressed on the market from day to day and week to week, in excess of requirements, you can readily see that a considerable decline must take place before a great volume is marketed, and the effect of this trading is that instead of declines or advances, there are simply fluctuations in the market through orders being executed, that fractions of an eighth or half a cent will enable a man to dispose of any quantity of grain of any kind. In former times before this system came into practice, it was not an uncommon thing to have to go down five cents a bushel in order to repeat a sale that had just been made, and to go down day after day one, two and three cents a bushel for weeks and weeks at a time. Now, this system of trading has done away with that sort of thing and has steadied prices, keeps them within a limited range and keeps the fluctuations limited as to their frequency; hence it is of great advantage to all those who are legitimately interested in the trade.

And not only does it produce that effect, but as I said before, it equalizes the various markets of the country. It is of course not uncommon for one market to be overstocked. Duluth, for instance, which is at the head of Lake Superior, will become glutted with wheat, and if that market is left to itself prices must there decline relatively much more than in other markets in the country, and without this corrective element the farmer who keeps on sending his wheat to Duluth must take the decline which is there in consequence of excessive supply; but now, how does it work? The operator in Chicago sees that Duluth is overstocked or declining in consequence of overstock, and he knows that Duluth wheat will be wanted. He makes a sale in Chicago of fifty thousand bushels of wheat, a short sale in Chicago of fifty thousand bushels of wheat and buys in Duluth and holds in Duluth until the market rights itself up, when he buys in his short sale in Chicago and sells his wheat in Duluth.

Another point and then I am done. It is this. Selling "short" is stigmatized as something disreputable and out of character. It is stigmatized as gambling. Now, if any man can tell me what difference there is in the actual principle of the transaction, in the selling of property for future delivery, which a man does not own at the time he sells it, but makes a contract in good faith expecting to possess himself of that property at a profit, and to deliver on that contract and in that way fulfill his contract, and in his performing the reverse operation of buying a given quantity of property, because he thinks it will advance in value, upon which he expects to realize a profit at an advance, I should like to have him do it. He may be mistaken in one case as in the other; but the motive of the transaction in both cases is precisely the same.

And why is it not just as honorable, just as legitimate, just as upright in its character, for a man to make a sale with the intention of obtaining the property and delivering upon that sale, as for him to make his purchase first with the intention of subsequently selling it and realizing a profit in that way? I fail to see, Mr. Chairman, any immorality, any distinction in the motive that prompts the transaction or in the process by which the transaction is carried out; and hence I fail to see any reason why a man who chooses to sell before he becomes possessed of the property should be discriminated against by the laws of this country, and prevented from making that transaction which he believes to be to his advantage. He alone will have to suffer if he loses, and if he does lose, is it the province of government to take him under its tutelage and under its paternal care and save him from making a loss by the selling of property short, any more than take him under its care and tutelage and save him from buying property at one time and selling it subsequently and which might result in loss?

It seems to me, Mr. Chairman, that this idea is altogether wrong, that the object sought in the introduction of the bill for the prevention of selling for future delivery, is altogether wrong, and that it cannot be maintained on any principle of equity or public policy.

In this connection, I will say further, Mr. Chairman, if I am permitted to take up so much time, that the speculative instinct, as it might be called, is given to all mankind. It pervades the whole growth; both civilized and uncivilized nations are addicted to it, and as nations advance in civilization they devise various methods for the indulgement of this speculative instinct. And they will continue to do so as long as human nature remains as it is now, and

until it is made over in the grand millennium of the future, when all men are expected to be dominated by ideas of good will and love and friendship and fellowship for one another, instead of as now, where the desire is of gaining something from somebody else, for their own advantage and benefit, at the expense of the somebody else.

Now, is there any use in attempting to resist these tides of human nature? If speculation in products is prevented, some other means of speculation will be found. Some find it in the Stock Exchange, and we hear of vast sales of stocks, more or less fictitious and illegitimate, characterized as gambling. We have Boards of Trade in which this trading for future delivery is carried on, and these transactions are characterized as gambling. Remove both and something else will be provided. Men will speculate, they always have speculated, they always will speculate as long as the world continues to exist; and it seems to me that they should be left to themselves. The evil of speculation is like other evils. It cures itself as a general thing. Many have to get their experience often without profiting by the experience of others; but nevertheless they find some means of indulging in these things, and if taken away in one direction, it will be provided in another.

If this bill in opposition to trading for future delivery of grain is adopted, in ten days the Boards of Trade could frame By-laws for transactions in the future delivery of flour or of any other commodity. Coffee has already been taken up, these last few years, and other commodities will be taken up; and whatever means comes handiest to men who desire to speculate they will avail themselves of. It seems to me it is better to leave that matter to work itself out and adjust itself, rather than to attempt by legislation to stamp it out, however detrimental it may be to those who engage in it. I thank you for your attention, Mr. Chairman.

ADDRESS OF MR. A. C. RAYMOND, OF DETROIT, DELIVERED BEFORE THE SUB-COMMITTEE OF THE JUDICIARY COMMITTEE OF THE SENATE IN OPPOSITION TO THE ANTI-OPTION BILLS, ON MONDAY, FEBRUARY 22D, 1892.

I appear here in behalf of the Detroit Board of Trade, of which I am a member, and have been for many years, having formerly been engaged in the grain business in the City of Detroit, and having handled many millions of bushels in all the departments of the trade, receiving, shipping, buying, selling and in the speculative department. I am not, however, in active business now, having left the grain business some years ago and entered the profession of the law, so I have no personal interest in this matter to protect my income one way or the other; and, further, I am not retained by the Board of Trade for any compensation. I speak merely as a member connected with the organization, at the request of the body, most of whom are my personal friends and former associates.

It has been well remarked by the Chairman of this Sub-Committee that this is one of the most difficult and complicated questions which has been presented to Congress for many a day. I think there is no doubt that no legislation, since the consideration of the Interstate Commerce Act, is fraught with greater consequences than this; and the effect of which, perhaps, is more difficult to understand by those who have never come in contact with the actual trading on the Boards of Trade. There are so many phases of it, Mr. Chairman, that I hardly know where to begin, but I shall try to lay down a few general propositions, and then discuss the various phases of the question as they have come up here in the hearing up to this time.

Now for some of the general propositions. This legislation is demanded for the following reasons:

By the farmers, because the present system of trading in "futures" unnaturally depresses the price of farm products, and prevents the legitimate effect of the law of supply and demand.

By certain milling syndicates and certain packing interests, because their profits are diminished as a result of active speculative trading in "futures," and the consequent uncertainty of values.

The contention of the farmers rests upon the alleged facts :

First.—That large sales are made of fictitious wheat by those who don't own it, never expect to own or deliver it, and never do own or deliver it on their contracts.

Second.—That the existing Boards of Trade are something in the nature of a machinery or method, by which differences are paid on these contracts, without any subsequent purchase or delivery of the property sold.

If these alleged facts are illusory and imaginative only and not real, then our farmer friends have no reason to advocate the bill before you. If, on the other hand, it is true that the present system of future trading actually enhances the value of agricultural products beyond what they would otherwise bring, then the farmers should join with us in defeating the bill.

I oppose the general principles of this bill :

First.—Because I believe that the last two hypothetical propositions are true.

Second.—Because special legislation in behalf of any class of citizens or kind of business is against public policy and wrong.

Third.—Because the bill, as it reads, would substantially destroy all trading in agricultural products for future delivery, and therefore deprive the people of the advantages of a system in use throughout the civilized world.

Fourth.—Because such legislation is entirely beyond the jurisdiction of the Congress of the United States, unconstitutional, subversive of the principles which underlie our Federal form of government and a menace to the liberty of every citizen of the State.

Now, our farmer friends, in support of their contention that this system of future trading depresses the value of their farm products, say that this system has reached its present large proportions mainly during the last five years, and that the effect of it on the prices of their products has been to diminish them. Now, Mr. Chairman, one ounce of fact is worth a pound of theory ; and this whole question, this whole contention on the part of the farmers rests upon a misapprehension of the facts ; and that proposition,

instead of being true, is untrue, and the contrary is the fact. I want to introduce here figures showing the yearly average price of cash wheat in Chicago for the last five years; also of corn and oats. These figures are compiled by a firm in Chicago which publishes a circular or price current which is acknowledged to be an authority by the grain trade throughout the country.

Now, these figures show that in 1887 the average price of cash wheat was seventy-five and a half cents per bushel; in 1888, 90¾ cents per bushel; in 1889, 86½ cents per bushel; in 1890, 89½ cents per bushel; in 1891, 97 cents per bushel. The increase on an average, then, from the first year to the fifth is 21½ cents per bushel. Now, without any further argument, Mr. Chairman, that must effectually and absolutely dispose of the contention that the large development of this system of trading in the last five years has depressed prices. It has not; it has increased them.

MR. BRIGHAM: What proportion of the time has it been worth 97 cents this year?

MR. RAYMOND: This is the yearly average price.

MR. BRIGHAM: But what proportion of the time?

MR. RAYMOND: The average.

MR. BRIGHAM: If it is up two or three times to $1.14 and all the rest of the time down to 80 cents, that is not a fair statement of the case. I undertake to say it has not been up to 97 cents ten times during the whole of this year.

MR. RAYMOND: I am speaking of 1891.

MR. BRIGHAM: Has it averaged that?

MR. RAYMOND: Yes, sir. Do you deny that?

MR. BRIGHAM: I say that during the twelve months there was not eleven months of the time that it reached 97 cents.

THE CHAIRMAN: Let me ask a question. How is the average price of wheat for the year arrived at?

MR. RAYMOND: By taking the average for each month.

THE CHAIRMAN: How is that arrived at?

MR. WASHBURN: Do you take bushels or price?

MR. RAYMOND: You take the price of cash wheat each day and divide it by the number of trading days, and that gives the average for the month.

THE CHAIRMAN: And it has no reference to how much there is sold?

MR. RAYMOND: Not at all. And then, having ascertained the monthly average, it is easy enough to obtain the yearly average.

Now, corn in 1887 averaged 39½ cents; in 1888, 46¾ cents; in 1889, 34⅞ cents; in 1890, 41¾ cents; in 1891, 58¾ cents. Oats averaged as follows: In 1887, 26 cents; in 1888, 28½ cents; in 1889, 22⅛ cents; in 1890, 31 cents; and in 1891, 38⅞ cents. The three leading articles therefore dealt in on the Chicago Board of Trade have actually increased in their average value during the last five years. Now, right here I wish to make a suggestion, Mr. Chairman, arising out of the suggestion of Mr. Brigham. He denies the reliability of these figures. He evidently thinks that there is some trick in the statement.

THE CHAIRMAN: No; he says that an argument deducted from the average price of wheat is not fair, because though it may have been very high during a few days of the year, that would make the average appear to have been the price which the producer would realize, when, in fact, if the average is made up from a very high price, it carries a false impression about it; that is his theory.

MR. WASHBURN: I would like Mr. Raymond to state whether the price of wheat has not been steadily downward from the early part of the marketing of the present crop?

MR. RAYMOND: I will come to that. The suggestion I want to make is this: that so long as the farmers think there is something misleading about this statement, and all other statements for that matter, concerning business transactions on these Boards of Trade, think that these figures are juggled, think there is some kind of conspiracy or scheme by which they are defrauded of their natural rights in their produce, that this committee, or both these committees, ought not to think for a moment of making any reports on any bill of this important character, without a thorough investigation of these facts.

This Committee and the House Committee, both should be made a Joint Committee, to go to New York and Chicago, to call before them the speculators and the traders in the various departments, put them under oath, call for books and papers, call before them the secretaries of these organizations, and see what the truth is. That is the essential thing for the committee to learn, what the truth is; and it can't be learned by a desultory hearing of a few men in the City of Washington. That is one of the most important suggestions I have to make. The Interstate Commerce Act was only passed after such an investigation as this; and you remember, Mr. Chairman, it was ten years from the inception of that bill until its final

passage. Now, the business interests involved in this question, I think, are as great as those involved in the Interstate Commerce Act, and should be treated with as great consideration and caution. And now, if these facts turn out to be as I have stated they are, our farmer friends don't want any such legislation as this.

MR. BRIGHAM: What I want to bring out is, for instance: take the year in which Hutchinson sold wheat for $2.00 a bushel in Chicago, and take the average price of eight, nine and ten months of the year at 85 cents. Add the two together and strike an average, and of course you will get what is not a fair representation. Now, I sold wheat all through the year, and only once during 1891 did I get above $1.00.

MR. RAYMOND: Now, Mr. Chairman, if the price of wheat has been artificially advanced in an attempt to create a corner or in creating a corner, that is always confined to one month and does not effect prices for the other months. For instance, if May wheat is cornered it might go to $2.00 a bushel, but June wheat might not be worth over 97 cents at the same time and probably not over 87 cents, so that this high average can only be effected by a corner for one-twelfth of the year. Corners are always the result of over sold contracts for a particular month, not for all months; and there never is but one corner in a season in wheat, and for many seasons there has been no corner.

MR. WASHBURN: Could there be a corner if there was not this over trading?

MR. RAYMOND: No, sir. If there was no more property sold than had, there could not be a corner; and the fact is there has been no corner in the City of New York for five or six years; so there has been no more stuff sold there than was actually delivered during the month.

MR. WASHBURN: It does not show that. It shows there has been no attempt to make a corner.

THE CHAIRMAN: Let me ask a question, even though it may display my ignorance of practical methods. What is the value of the wheat crop this year, the average value in millions of bushels, approximately?

MR. RAYMOND: It is about 500,000,000 in round numbers.

THE CHAIRMAN: Suppose we had no dealing in that class of futures called short sales, and suppose some capitalists controlling

$100,000,000, should set about buying wheat and holding it, would that make a corner or not?

MR. RAYMOND : No, sir.

THE CHAIRMAN : What would be the result on price?

MR. RAYMOND : That remains to be seen. The result on price might be the same as in 1879. You remember in 1879 the season abroad was wet; their crops were largely destroyed by excessive rain.

THE CHAIRMAN : You don't get my point.

MR. RAYMOND : I will come to that in a moment. The crops were destroyed by excessive rain, especially in England. Wheat started in this country that year at about eighty-five cents. Combinations were made in order to purchase wheat on the strength of the necessities of the foreign buyer, and they bought millions and millions of bushels, and the price went finally in New York as high as $1.85 per bushel. But after it passed $1.25 in New York the foreigners found other means of meeting their necessities and all of these "bulls" of that year lost their money. That might be the effect of just such a deal as you suggest.

THE CHAIRMAN : What I want to get at is this: whether if you were to stop these short sales it would then be practicable for men having a large combination of capital to unduly advance the price of wheat?

MR. RAYMOND : Yes, sir; if their capital was extensive enough and the combination strong enough, it would not only be possible to unduly advance, but possibly to unduly depress the price, by simply refraining from buying during the time when the movement was very large, and, holding stocks to depress the market by their weight, purchase all the grain and control it.

THE CHAIRMAN : That is one of the things I want to get at. Now, it is said that the effect of short sales is to unduly depress the price of these products which are referred to in this bill, at times, and at the particular time when the farmer is about to market his crop. Now, will that be obviated by this law, or will it still be open to other methods of trading to do the same thing?

MR. RAYMOND : In the first place, it will be open to other methods to do the same thing, and in the next place, the assertion is untrue.

THE CHAIRMAN : Well, admit that it is true for the sake of argument.

MR. RAYMOND : And if such a situation as this developed no

other method, it will develop by the investment of the money of great capitalists, who not having an opportunity to insure against possible loss by means of this large speculative trading, must purchase the property at so low a price that all these risks will be covered by the low price. So that, in the event of any such combination as that, their sole interest would be in making the purchase at a relatively much lower price than our dealers pay under the present system.

THE CHAIRMAN: Suppose anybody undertook to lock up wheat, if I may use that expression, for the purpose of advancing its price. Can it be practically done? Is there any place where it can be stored and held so as to do it?

MR. RAYMOND: Probably not very easily; although if there was a combination strong enough, all of the elevators at country stations and the terminal elevators at large cities could be filled; and not only that, but those farmers who had granaries could themselves hold the property for the account of the purchasers. But it is extremely doubtful, I think, under the present circumstances, whether there is storage capacity enough to hold the great crops averaged in this country. Such a combination, for instance, if several large syndicates such as are represented by our friend, Senator Washburn, should decide to go into an operation of that kind, they would probably wait until the volume of the crop had been reduced somewhat, so that they could find storage for it.

MR. WASHBURN: Let me ask a question. Supposing any large syndicate went in and bought a hundred million bushels of wheat; I can't see how that would possibly depress the market, because the markets of the whole world are open to buying the remainder. It seems to me the inevitable result would be to increase the price.

THE CHAIRMAN: Of course if they went in to buy, it would increase the price.

MR. WASHBURN: That does not prevent other people from buying the remainder. A syndicate to control wheat by actual purchase have got to buy the wheat of the whole world. Now, let me ask. Has any great disturbance of "bull" or "bear" movement ever occurred over articles that are not traded in, in this way, on the Boards of Trade? For instance; butter, cheese, iron, steel, etc., has there ever any disastrous result grown out of the sale or purchase of these articles in any way?

MR. RAYMOND: Why certainly.

THE CHAIRMAN: Iron went up in 1883 or so from an average of

$20.00 a ton to nearly $60.00 a ton. Do you know how that occurred, and why?

MR. WASHBURN: I can tell you if he can't.

MR. RAYMOND: I don't know the causes which operated to cause this particular advance in iron; but the question of the Senator was this: whether any disastrous results have followed, and I have to say, yes. The Senator knows perfectly well that some of the most disastrous results in the business world have followed from over trade in the prices of real estate. He knows that disturbances arise from speculation in all articles; they are arising continually.

MR. WASHBURN: I will then say, as to the advance in iron, that it was because the rolling mills did not have sufficient capacity to supply the demand. The building of railroads that year was so enormous that the rolling mills could not furnish rails fast enough. It was the law of supply and demand in a normal condition.

MR. RAYMOND: And that same law resulted subsequently, as you will remember, in great depression. When the boom spent its force in iron, the furnaces were shut up, shipments of ore ceased, and great commercial distress prevailed.

THE CHAIRMAN: That brings us back to the question as to whether this system of short selling, as it is called, makes greater fluctuations in price than would occur without it?

MR. RAYMOND: Under the present system fluctuations are more frequent, no doubt about that; fluctuations occurring every hour probably, on great Boards of Trade, but the fluctuations on the whole are not near so wide. They are up or down, and consequently the business interests of the country are better conserved by keeping the fluctuations within a narrow limit, although more frequent than if we were subject to the destructive results following from very high or very low prices unregulated.

THE CHAIRMAN: Admitted that a pure wagering contract is against public policy; still you think they have done much to prevent wide fluctuations, and you would therefore tolerate them for the good they did.

MR. RAYMOND: No, sir. The difficulty is as to what these contracts are, as to the understanding of what they are. I deny that the selling of futures are wagering contracts.

THE CHAIRMAN: Do you speak of futures in the sense this bill speaks of them, or do you——

MR. RAYMOND: I speak of them in the sense in which the bill speaks of them, and I say that such contracts—mind, I am not

speaking of "options," but "futures"—are not wagering contracts, and that wagering contracts are not made on any Board of the United States.

MR. WASHBURN: Now, when a contract is made to sell a million bushels of wheat, and there is no expectation on the part of the seller or buyer that that wheat will ever be delivered, and is never delivered, do you consider that a wager or not?

MR. RAYMOND: I consider that a wager. No such contracts are made on any Exchange in the United States. That is a matter of fact.

MR. WASHBURN: Do you mean to say that nine-tenths of the contracts for sale for future delivery on the Board of Trade in Chicago are not precisely of that character?

MR. RAYMOND: I say not one of them is of that character.

MR. WASHBURN: Well, this is the most extraordinary exhibition of credulty I ever witnessed.

THE CHAIRMAN: Explain yourself and tell the Committee why. Give us an illustration. You are a member of a Board of Trade.

MR. RAYMOND: I was formerly, but am not now.

THE CHAIRMAN: Now suppose you thought it would be a good opportunity for you to go and sell a million bushels of wheat, and you did so, your intention being that if it goes lower the man will pay you the difference. Now is not that a pure wagering contract?

MR. RAYMOND: Yes sir; but I re-assert that no such contract can be made on any Board of the United States, so that this supposititious sale could never be made.

THE CHAIRMAN: Why not?

MR. RAYMOND: Because if I go on any Board of Trade to sell for future delivery I make a written contract for that property to be delivered within a designated period. I sign that contract and get in exchange from the buyer a written contract agreeing to receive and pay for that property within a designated period.

MR. WASHBURN: Oh, we understand the forms are all right.

MR. RAYMOND: Now, I assert as a fact, there is no machinery provided in any Board of Trade in the United States, with the single exception when a corner occurs, which I will explain later, by which I can relieve myself of that contract to deliver, except by subsequent purchase. Now if that is true, if I am stating facts here and not theory, then these gentlemen who come up here representing the agricultural community are after something they don't want.

THE CHAIRMAN: Let me ask a question. Admitting that is true and that the purchaser can compel you to deliver that wheat and you can compel him to take it; is it not practically true that in a very large proportion of cases this is never done, but the difference settled between you, that is, the balance one way or the other?

MR. RAYMOND: Now, Mr. Chairman, if you will excuse me, I don't want to appear offensive, but you use an expression there: "Settled by means of difference." What do you mean by that?

THE CHAIRMAN: I am trying to get light on this subject.

MR. RAYMOND: I say there is no such thing.

THE CHAIRMAN: Being somewhat uninformed; but what I mean is this: that the man who purchases would call upon you for the delivery and you say, when you come to the point where you are obliged to close out the contract: "I will not deliver, but will pay you the difference between the price on the day on which I sold and the price to-day;" and there would be no actual delivery of wheat.

MR. RAYMOND: I say no such transaction occurs on Boards in the United States. Now I will tell you what is done. I sell that property say to Senator Washburn, to be delivered in May. Before May 31st I purchase that same property of somebody. If Mr. Washburn has not sold that property to somebody else the party of whom I subsequently purchased it delivers it to Mr. Washburn for my account.

MR. BRIGHAM: The actual wheat?

MR. RAYMOND: The grain receipts on the 31st day of May.

MR. BRIGHAM: What per cent. of the wheat is actually delivered?

MR. RAYMOND: All that is sold.

MR. BRIGHAM: About two per cent. is delivered according to Mr. Norton.

MR. RAYMOND: Don't misunderstand Mr. Norton; he did not say that. What he said was this, if anything.

MR. BRIGHAM: I think he meant to tell the truth.

MR. RAYMOND: The trouble is in discussing a question of this kind that gentlemen put their own uninformed interpretation upon expressions instead of putting upon them the interpretations meant by the party using the expression. What Mr. Norton meant was this: that 2½ per cent. of the property reported in the number of transfers is delivered on the whole. That is what he meant and that is what is the fact. Now that is a very different

thing from the impression my friend would give, that not more than two per cent. was delivered.

MR. BRIGHAM: Do you think if all the short sellers to-day were required to deliver all the contracts called for, it would be possible to do it?

MR. RAYMOND: If there is wheat enough in the country, it would.

MR. BRIGHAM: But is there enough?

MR. RAYMOND: Certainly there is.

THE CHAIRMAN: Is this the distinction you make between the actual delivery of wheat and the constructive delivery of wheat?

MR. RAYMOND: Well, if you will permit me to make another statement: Suppose, Senator Platt, you sell that million bushels of wheat to Mr. Washburn. You subsequently purchase that of me, and we are the only parties in the transaction. When delivery time comes I must fulfill my contract. You don't ask me to do it; I must do it; but instead of going to you with a million bushels of wheat represented by elevator receipts, tendering them to you and getting your certified check for it, and your clerk taking these receipts and figuring storage and charges, etc., and making out a new bill to Mr. Washburn and turning it over to Mr. Washburn at the price you sold him for: if, instead of doing that, you say to me, Mr. Raymond, won't you deliver that wheat to Senator Washburn at the price I sold him, and we will adjust between ourselves the difference on the contract. Is not that an actual delivery of the property by the seller to the final purchaser just as much as if it passed through your hands before it reached Senator Washburn?

MR. WASHBURN: In that case there is no actual wheat delivered to anybody.

MR. RAYMOND: Now, Mr. Chairman, why does Senator Washburn assert that? I deny that absolutely and say all these contracts are delivered that way. Now, if I am stating an untruth, I say there is a greater need for this Committee, or a Joint Committee, to go to these places and investigate. Bring men before you and put them under oath. Bring Mr. Pardridge and Mr. Schwartz, etc., before you and say: Gentlemen, do you deliver this property, do you subsequently purchase all this property and make delivery, either yourself or somebody else for your account? Now, if this is true, there is not any standing for our farmer friends in this matter. Now, our miller friends stand on a different basis, and I will explain by and by why they are here; but I am speaking of the farmers now.

Mr. Chairman: Are these contracts negotiated? Do you pass them from hand to hand, the contracts, a form of which has been presented here?

Mr. Raymond: No, not the original contracts; they are not passed from hand to hand, but new contracts are made. For instance, suppose in the illustration given a moment ago, you sell Mr. Washburn wheat and make a written contract, "in consideration of $1, etc."; he gives you a contract also. Now then, suppose you come to me to buy the wheat, you don't turn over to me that contract you have with Mr. Washburn; you get a contract from me to yourself, and I get one from you to buy the same as you and Mr. Washburn did. You don't endorse this contract of mine and turn it over to Mr. Washburn before the contract matures, except in a certain case.

Now I will give you a case. Suppose you bought wheat of me; you have sold to Mr. Washburn and have no further interest in the contract so far as profits or losses are concerned; Now then, we will suppose this is a contract for May wheat, which does not mature before five months hence. You are responsible to me for the changes in the market. Suppose you had bought that wheat at $1, and you have sold for $1.01. Now as between you and me, if the wheat goes down to 90c. you are obliged to deposit a margin in the hands of the Secretary of the Board of Trade to protect me. On a million bushels of wheat that would be $100,000, as between you and me. Or suppose that you have sold it to Mr. Washburn at $1.01 and it has gone up to $1.11. Now you have to deposit with the Secretary of the Board of Trade $100,000 on a million bushels of wheat to secure that contract with Mr. Washburn. Still all the real interest you have in it is $1,000, or one cent a bushel. Now, if Mr. Washburn says to you, Mr. Platt, have you got that wheat bought? If so, there is no need of keeping up $100,000 in margins if you have and can turn over to him the contract of a perfectly responsible party. And you say, "Yes, I have that wheat bought of Mr. Raymond and will turn his contract over to you." All Mr. Washburn wants is the wheat he bought. He then cancels his contract with you, paying you the cent a bushel profit you have made; because he then takes my contract giving him the wheat at $1 a bushel and looks to me to keep up the margins, if he does not consider me responsible. In such a case as that, as a matter of convenience, in order to let out the party who has no further interest

in the profits or losses, but who is responsible to the buyer or seller for fluctuations, then these contracts are sometimes transferred in that way before maturity.

MR. CHAIRMAN : What do you call "cash" wheat?

MR. RAYMOND : "Cash" wheat is wheat delivered on the day in which it is purchased. The rules of the Board of Trade in Detroit are, if I mistake not, that the hour within which "cash" wheat must be delivered is half-past two in the afternoon. Now then, if I go on the Board of Trade and buy of you, as receiver from the country or owner in any way of ten cars of wheat, that means you are to deliver to me, before half-past two, elevator receipts representing ten cars of wheat in store endorsed to me by you. Now then, if thirty-one minutes after two you come into my office and tender me these receipts, and for any reason I then don't want the wheat, if I am dishonest for instance, although it is a rare occurrence on the Board of Trade, but if I should choose to assert my right I could refuse to take the wheat at thirty-one minutes past two o'clock. That is "cash" wheat.

THE CHAIRMAN : What amount of wheat can be on storage in Chicago at one time?

MR. RAYMOND : I heard one gentleman say the storage capacity of Chicago was about thirteen million bushels.

THE CHAIRMAN : Now, may it not often happen on the last day of May that there are contracts outstanding for delivery of much more than thirteen million bushels?

MR. RAYMOND : If there are it is a corner ; but it very seldom happens.

THE CHAIRMAN : All along through the month then there would not be more contracts than could be evened up as it comes along to the close of the month.

MR. RAYMOND : Yes, sir. Every sale implies and requires a subsequent or a previous purchase. That is fundamental in understanding the question. Every sale requires a previous or a subsequent purchase.

THE CHAIRMAN : Not necessarily from the man who sold it but from somebody who agrees to deliver it, and somebody who does deliver it when the month closes.

MR. RAYMOND : Now, I want to repeat that point which Senator Washburn raised ; that if it is true as a matter of fact that there has been no corner in the New York market for seven or eight years, or in the Chicago market for three or four years, then it is

true that every short sale made on these markets for every month, has been cancelled by purchase.

MR. WASHBURN : But not by delivery.

MR. RAYMOND: Now, cannot gentlemen see the difference? Suppose Mr. Washburn owes me $5,000 worth of wheat and I owe him $4,000 worth of wheat. Now, if he pays me $1,000, is not that just as much delivery of wheat as if I took elevator receipts, billed them to Mr. Washburn at $5,000, and he bills them back to me at $4,000?

MR. WASHBURN : So far as the general result of the settlement is concerned it does. Now, let me ask a question. There was handled in the City of Chicago only 14,000,000 bushels of wheat during the entire year; there were days there when there were 44,000,000 bushels of wheat sold for future delivery. Now, do you really mean to state to this committee that you believe it was the intent of these parties that sold this 44,000,000 bushels of wheat, to actually deliver the actual stuff? Do you believe that?

MR. RAYMOND : I assert just that, that not only it was intended but they actually did do it.

MR. WASHBURN : The actual wheat was turned out? The elevator receipts turned over?

MR. RAYMOND : Yes, sir.

MR. WASHBURN : Well, this certainly is credulity.

MR. RAYMOND : Understand me, the ultimate purchaser of that 44,000,000 bushels of wheat, if there was any ultimate purchaser, which there was not, but if there was and he had not sold it, received every pound of that wheat at the end of the contract. Now, there was not any ultimate purchaser any of the time.

MR. WASHBURN : Of course not. It means simply that 5,000,000 bushels of wheat were sold between the original owner and the ultimate purchaser eight times. Now, another thing. Do you state that these contracts——

MR. RAYMOND : One moment, let me go a little further. Every business man knows that the monetary transactions carried on between banks and merchants of the country, of the large cities of this country, every day, figure up an amount of money largely in excess of the amount of circulating medium in those cities. Everybody knows that. Now, how is it that 40,000,000 dollars, or for illustration say 44,000,000 dollars, to carry out the figure of Senator Washburn, of mercantile transactions, are settled between the banks of New York every day, and are settled for 4,000,000

dollars of actual money? And would you say that these transactions in the City of New York between banks were fictitious, that they did not exist, that there was no merchandise back of them, no money back of them, because 4,000,000 dollars settled the 44,000,000 dollars of transactions? That is precisely the way in dealing with grain in the Boards of Trade.

MR. WASHBURN : Suppose they don't look to this clearing house arrangment; all the banks have money on hand to meet their indebtedness.

MR. RAYMOND : No, sir; all of these banks do not have money to meet these negotiations.

MR. WASHBURN : Well, that is a matter for the bank inspector to look into, then.

MR. RAYMOND : No, sir; because engagements are met, not only by money had in the vaults but by credit had in the hands of banks who have negotiations with merchants and each other; and these credits are just the same to them as currency actually in the vaults.

MR. WASHBURN : But these credits all represent actual money which can be had; and these arrangements do not represent actual wheat, never could be had if demanded. Now, let me ask this question. These contracts for sale and delivery are all made in due form, all right on their face; but supposing that I sell for future delivery an amount of wheat and when the time comes it has either declined or advanced, what would be the measure of damages, supposing I declined to deliver that wheat; what would be the measure of damages I would be subject to?

MR. RAYMOND : Just what it would cost me to replace that wheat which you could not deliver on that day.

MR. WASHBURN : So that this settlement forces itself in a natural way. When you come around I can't deliver my wheat. What am I going to do? I am going to pay damages.

MR. RAYMOND : No, sir. No man ever goes to a merchant on the Board of Trade with any such proposition unless he is insolvent; and the moment he comes with such a proposition that moment he is bankrupt on that Board of Trade.

MR. WASHBURN : It is not a question of bankruptcy, because these options are all protected by margins; and when I fail to respond then I am liable under the law to pay the difference of what wheat is on the last day of May.

MR. RAYMOND : No, sir. You are liable under the law to pay what it costs to replace your contracts.

MR. WASHBURN : That would be the price that it is then.

MR. RAYMOND : Wheat may be worth a dozen different prices.

THE CHAIRMAN : Mr. Raymond, there is no Board of Trade in Washington. Now, suppose I have got 10,000 bbls. of flour in the City of Washington and nobody else has got any. I have got it in my storehouse in Washington. Do you contend there can be a trade in the City of Washington between different individuals of 100,000 bbls. of flour for the month of May and that flour remain in my storehouse all the while, and be delivered from one individual to another over and over again until it amounts to 100,000 bbls?

MR. RAYMOND : Yes, sir ; or 500,000 bbls. Why not?

THE CHAIRMAN : That is what you mean ; it is in my storehouse, but it is delivered by individuals who have it not.

MR. RAYMOND : If you deliver 10,000 bbls. to Mr. Washburn and he delivers it to me, and I having sold it deliver it to 500 other dealers, what is to prevent dealing in this manner? Yet there is only 10,000 bbls. of flour ; the ultimate purchaser and the original seller are the parties who own at the beginning and end of the transaction. And so it is with the Boards of Trade. The original seller and the last buyer are the ones who own the actual property and all the intermediate transactions are based upon that actual property so owned. Now, what difference does it make, Mr. Chairman, whether, if I sell a million bushels of wheat in the month of April for May delivery, I actually have it in my possession, in my storehouse, at the time I sold it, or whether, twenty days afterwards, I purchase that wheat of Mr. Washburn and he has it in his warehouse and delivers it to you for my account, or whether I have it in the first place and deliver it to him?

MR. WASHBURN : The difference is just this: there will be only the actual amount of stuff handled which exists.

MR. RAYMOND : There might be 200,000,000 bushels of wheat sold and only 100,000,000 owned and delivered ; but what effect does it have on the legitimacy of that business, that Mr. Washburn resells and it is resold again and again? The ultimate purchaser gets one hundred million bushels, passing through intermediate sellers.

Suppose I make a contract to build a house. There is in that contract for me as a builder $1,000. I have not made my sub-contracts with my brick masons, carpenters, gasfitters and all other artisans who are going to assist me in building the house, but I estimate I can make $1,000 out of it, and have contracted in view

of that to furnish the house within a specified time. Haven't I the right to transfer the contract, if Mr. Washburn, another builder, comes to me and says: "Here, I will give you $1,100 for that contract." He thinks he can build that house and make $100 advance on it; and I transfer the contract. Some other builder thinks he can work a little cheaper, he is slack of work and don't want to discharge his hands and shut up shop, or for any reason whatever; he comes to Mr. Washburn and says: "I will give you $1,200 for that contract," and Mr. Washburn transfers it to him. Is there anything illegitimate about that? Are there three houses built? No, sir.

Mr. Brigham: Did you ever hear of a transaction of that kind?

Mr. Raymond: Certainly; contracts for all sorts of things are engaged in and transferred every day in the year.

The Chairman: How do you think a Board of Trade would be regarded in this city, established for the purpose of dealing in contracts for the erection of buildings? Would that be considered as good, sound, legitimate business?

Mr. Raymond: Yes, sir, on one condition: that all the houses graded alike.

Mr. Washburn: Your analogy breaks right there.

Mr. Raymond: The analogy is the method of doing business, which is just as legitimate in the one case as in the other. The man who negotiates that contract or sub-lets it, does it in accordance with the specifications of the original contract. Now the only reason houses are not dealt with in this way, is because every house differs from every other house; but coffee, cotton, wheat, pork, lard and those articles which can be graded and stored in large quantities and are easily available for delivery, are bought and sold for future delivery and are speculative articles. Real estate would be sold in the same way if you could grade it.

The Chairman: We are sorry to have broken in on your argument, Mr. Raymond. You laid down certain propositions which you desired to elaborate. Please do so.

Mr. Raymond: Now then, as to claim first, the farmers' contention that the average price of wheat has been reduced during the last five years by this large dealing in futures, it is untrue; and I furnished the figures to show the verity of my statement. Until they can disprove that, there is no reason in existence for the passage of this bill.

Mr. Brigham: I want to state that the farmers have made no such claim.

MR. RAYMOND : What do they want legislation for?

MR. BRIGHAM : They claim, and believe it possible for the speculators to put down the price for. days at a time, which covers the time when the farmers sell their products.

MR. RAYMOND : That is the next point I am coming to. Now, Col. Brigham says the trouble is that this depression in price occurs when the farmers are obliged to move their crops and that is the reason they ask for this legislation.

MR. BRIGHAM : That is not quite it, but something like that. Go ahead.

MR. RAYMOND : Now, Mr. Chairman, I will show that that proposition is just as untrue as the other. Now, when do farmers move their property largely? After harvest and during the Fall and early Winter months. There is no doubt about that. During the months of August, September, October, November and December, we will say. Now then, Mr. Brigham said here Friday that his proposition was sustained by the course of prices during this season ; namely : that the speculators depress prices when the farmer is moving the bulk of his crop, and that the advance came afterwards ; and that this year was an illustration of it. Now, Mr. Chairman, I have compiled here the prices of wheat each month from July last to February 18th. The opening price the first day of the month, the highest price reached during the month, the lowest price reached during the month, and the closing price. And I assert right here that the exact contrary of what Mr. Brigham claims is a fact. Now then, in the month of July, December wheat, which was then the speculative month (they hadn't begun to trade much in May wheat in July, so I use December wheat) opened at 89⅛ cents, it reached 92 cents, it touched for the lowest price 85¾ cents on July 15th, and it closed at 90¼ cents. Now, in August they began to trade in May wheat. The opening price in August was 95 cents the first day for May wheat, on August 17th, it was $1.16½, the lowest price in August was the opening price of 95 cents, it closed at $1.10¼. Now August is the month of the largest delivery of Winter wheat all over this country. Everybody knows that who knows anything about this business. So that the theory don't hold good in August worth a cent. The highest point reached the whole year so far was in August on the 17th day, when all these "professional sluggers" and "short sellers," who are "selling what they don't own," were "pounding down the market" so that they could "get possession of the market and by and by put it up."

MR. BRIGHAM: Follow it right along.

MR. RAYMOND: Now, in September, May wheat opened at \$1.07, reached \$1.08 the same day, which was the highest point reached in the month, touched \$1.02 on September 10th and closed at \$1.04⅞ on the thirtieth day. Now, bear in mind it is still 9⅞ cents higher than it was on the 1st day of August with the months of August and September delivery coming on the market. This is May wheat I am talking about.

MR. BRIGHAM: Give the price of cash wheat.

MR. RAYMOND: The price of cash wheat bears a steady relation to the price of May wheat. Now, in October May wheat opened on the first day at \$1.04, it reached the highest price on the ninth day \$1.06½, touched the lowest price on the 28th at 99⅞, it closed on the 31st day at \$1.02; still 7 cents higher than it was on the 1st day of August and the best three months in the year when the farmers' deliveries were ordinarily equal to half the whole crop of the year. Col. Brigham does not deny that. He knows that as a matter of fact. Now then, on November 1st wheat opened at \$1.01⅛, reached the highest point November 6th, at \$1.04⅞, lowest point November 30th, 98¾, and closed at that price. Still 3¾ cents above the 1st day of August, with four months of the heaviest deliveries of the year.

MR. WASHBURN: You are mistaken about that, about the heaviest delivery.

MR. RAYMOND: When are the heaviest deliveries?

MR. WASHBURN: October, November and December.

MR. RAYMOND: Well, we have got to the end of November. The Winter wheat deliveries are in August and September.

MR. BRIGHAM: Not the heaviest.

MR. RAYMOND: Well, we have got to the end of November. We have got the best four months of the year, Winter and Spring wheat together, and the prices don't yet come as low as the 1st day of August. Now take December, it opened at 98⅝ cents, reached the highest point on the 8th day, 99¾ cents, and closed on the 31st day at 96⅛ cents; still 1⅛ cents higher with five months of delivery. In January it opened at 95⅞ cents, touched high point that day; the lowest point was on the 15th, 89½ cents, and it closed at 90¼ cents. Now for the first time has the price of wheat gone under the price it was before the crop movement began. Now I have got the prices up to February 18th. In February it opened at 90¾ cents, touched 88¼ cents, that was when the gentle-

men on the Boards of Trade thought this bill was quite certain to pass the Congress of the United States; and it is now again up to 94¾ cents on the 18th day of February; ⅛ cent less than the first of August with 6½ months of the heaviest deliveries in the year. Now if that is not a demonstration, absolute, indisputable, that the theory of the farmers is entirely wrong, I don't know how to make one.

Now it is true, Mr. Chairman, that the general average price of wheat in this country is lower than it was previous to 1879. I think that is true. I have shown that during the last five years and during this year, which is the prize ox of our friends, their theories are not true. The depression since 1879 is due to natural causes entirely independent of this so called short selling and in no way affected by it. The resumption of specie payment in 1879 placed the face values of market products on a gold basis. The opening of the Suez Canal by which India wheat was put as near Queenstown by steam as New York is by sail; before that it was three or four times as far away in point of time. The development of wheat growing in India and the facilities for moving it. The English government, it is well known, has spent in India in the last ten years at least $750,000,000 in developing the railroad system of India, bringing to the seaboard at low cost the large wheat crop which India produces, and which on an average is not very much less than our wheat crop although a smaller proportion of the whole crop is exported than from the United States. The production of India does not fall very much below the average of the United States, if I am correctly informed. It is said to be about 350,000,000 bushels and our average crop runs 400,000,000 bushels.

Mr. Brigham: How much does she export?

Mr. Raymond: I can't give you the figures, but I do know it frequently happens there is more wheat on passage to the markets of Great Britain and Ireland from India, than from the United States.

Mr. Brigham: Can you give an idea? Does it ever reach 40,000,000 bushels per year?

Mr. Raymond: I think pretty close to that; and it has grown from nothing, comparatively little previous to 1879, to as high as 40,000,000 bushels.

Mr. Washburn: Has it grown within the last five years?

Mr. Raymond: I think not, because the average price of wheat

has increased during the last five years, which only confirms my theory. I think they have had some rather poor crops in India and their exports are not quite so large, but the possibility is there. Now in 1879 the speculators of this country took possession of the wheat crops of the United States. They wanted to compel England, who is the principal consumer, to purchase at high prices of value.

THE CHAIRMAN : Is that before the dealing in futures?

MR. RAYMOND : No, sir. That is when dealing in futures was in existence. England saw in 1879 that if she was to be dependent upon the United States for breadstuffs, be at the mercy of the United States, whenever bad crops rendered her supply short, that her subjects would have to pay enormous prices for her food; and from that very hour she began to develop the Indian wheat crop. That is one of the great causes of the failure. And then there is another, which perhaps Senator Platt will not agree with me on, and that is the tariff question. The facilities afforded England for the marketing of her own goods in exchange for agricultural products has tended to develop the amount of wheat exported from other powers of the world.

THE CHAIRMAN : Do you think we could still beat India if there was no tariff?

MR. RAYMOND : I did not make any proposition which involved that. But if England can sell her goods in India and get a return cargo of agricultural product, making cargo both ways, that is a more profitable business than where she sends vessels to this coast in ballast and takes cargo back. That is the idea.

MR. BRIGHAM : Does not she export here more than to India, and increase all the time?

MR. RAYMOND : Possibly; but she does not take back freight so much as security. Railroad stocks, bonds, etc. Now my proposition is this, Mr. Chairman, that our friends the farmers are laboring under a misapprehension of the facts and that the facts are what should be brought out, both to their knowledge and to the knowledge of the committee by an extensive and careful investigation, on the ground of all these transactions. I never saw a more deplorable exhibition of ignorance of the facts underlying this business than was exhibited by Dr. McCune in the House Committee room in speaking of the cotton trade: that these Boards of Trade "horned off" the mills until they got the cotton; proceeding on the theory that the Board of Trade as an organization does

something that interferes with the natural laws of trade. The idea that a Board of Trade can prevent anybody from buying anything is simply past comprehension. If I should say to Dr. McCune or to these other farmers that they dug apples out of the ground and picked potatoes from trees, I could not make a statement more absurd than that statement of Dr. McCune. I merely refer to that for this purpose. Our farmer friends must believe somebody, and the basis of their theory concerning the operations of the Boards of Trade are the statements of just such ill informed men as Dr. McCune. I believe that Mr. Brigham here is thoroughly honest. He wants to ascertain the truth; and if he finds that Dr. McCune or Col. Pope, or any other gentleman, is deceiving him, he won't hesitate to denounce their theories; and that is why I believe in the theory of complete investigation of the facts.

MR. BRIGHAM: Don't you think the buyer of the actual wheat is somewhat deterred by the feeling, that is, from the fear that they will depress prices?

MR. RAYMOND: It depends on himself.

MR. BRIGHAM: If I had to market; I know that was the case in selling my own crop. I sold to millers and they said, "we are afraid of the manipulations of the Chicago Board."

MR. RAYMOND: There is no doubt that large offerings on the Board of Trade tend to depress prices and frighten buyers; neither is there any other doubt that large buying on the Boards of Trade of the United States tends to increase prices and frighten short sellers. The one has just as much effect as the other.

THE CHAIRMAN: Now, suppose we understand we won't ask Mr. Raymond any more questions, because I want to get through pretty soon. Mr. Raymond, you laid down certain propositions.

MR. RAYMOND: Now, Mr. Chairman, before I come to the last proposition I want to say this: I think I have succeeded in showing that the farmer's side of this question is mistaken in the facts, and that the passage of such a law would injure rather that relieve them. Now, if I have established that proposition these farmer friends are out of the race.

I can understand very readily why the existence of the present system interferes with the miller and pork packer; why he wants this system abolished. He don't want the brightest, smartest, keenest, most alert body of merchants in the United States, watching every influence that is to affect prices, intercept him in selling when the market will decline. They don't want these brokers, who

by means of the intelligence which they obtain from all quarters of the world and discount by either buying or selling agricultural products, to instantly inform the farmers of the causes that are affecting values. Mr. Pillsbury don't want to be prevented, on the receipt of certain news from his foreign correspondent likely to affect the price of wheat upwards, from taking advantage of that information and telegraphing to his three hundred elevators to purchase all the wheat they can buy of the farmers at a shade over the present market, by some broker who has got the information as quick as he and in one minute has advanced the price ; and that is flashed all over the country.

MR. WASHBURN : Why can't he buy the wheat just as well as Mr. Pillsbury?

MR. RAYMOMD : He does buy the wheat and stands there as the picket guard to warn the farmer of every change that occurs in every quarter of the globe likely to affect values ; and he does it by purchasing and selling on the market. And this prevents Mr. Pillsbury from getting the advantage of the information which he otherwise would have at the expense of the farmer.

MR. WASHBURN : Would not the price of actual wheat be the quotation on the Chicago Board of Trade just the same as now precisely?

MR. RAYMOND : No, nothing like it ; and if you drive off the Boards of Trade, the bright minded speculators who expend thousands and hundreds of thousands of dollars for information from every quarter of the globe, every twenty-four hours, drive them out of the way, it can be plainly seen how the great milling syndicates could manage their business with wider profits. When Mr. Pillsbury was asked, would not this system diminish the profits of millers, he said yes. Then, Mr. Chairman, he can't increase the profits of the miller except by widening the margin on the business they do, and making a greater difference between the price of wheat and flour ; and he can't make it unless the competition which holds over wheat and flour is removed. That is a plain proposition. There is no question about it. These gentlemen are here legitimately enough. If I could get the United States to make a law which would put into my pocket millions and millions of dollars that would not happen in open competition, I would favor it. But the question is has the legislature of the government any right, or any State the right, to put money into the pockets of millers any more than into the pockets of farmers, bakers, butchers, etc.?

And so with our pork packing friends. They don't want to have the price of hogs advanced on them by these quick minded brokers in possession of information as quick as they, and who flash it to the whole country by the advance in price, before they can buy hogs to fill the contracts they have made. Neither do they, if they have bought a lot of hogs, want the market to decline under the influence of news coming from all quarters of the earth to these lively brokers, and which is reflected by the decline in price. Not so. He wants to place his property before it can decline. He wants to buy before there is an advance; and this army of bright minded young men all over this country stand between himself and the farmers to prevent that very thing.

Now only one other proposition. That is this. That even if this system of trading has the evil result attributed to it, the Congress of the United States has no more right to legislate on this question than it has on the question of prohibition in the States. What right has the Congress of the United States under the guise of a revenue law to regulate the business of particular citizens of the State of Michigan or any other State? Mr. Chairman, I am glad to know that the proposition for this legislation comes before the Senate Committee on Judiciary, a committee composed of lawyers, men of trained mind, men who, I believe, know the limit within which the Congress of the United States can go, and men who I believe know that the Congress of the United States has no more jurisdiction over this question, under the guise of a revenue law, than they have over the question whether the City of New York shall drink tea or coffee for their breakfast. Because there is a tax imposed on the business and a license and bond, it does not make it a measure to raise revenue. Does any one suppose that any court in the United States is going to be deceived, when this question comes before it, by the pretense that this bill is passed for the purpose of raising revenue when the court looks behind the surface of the bill and finds the facts in the case, as to the real reason for which this legislation is asked? Besides this, the law is not only not designed to raise revenue, but it is designed to prohibit trade. A tax of twenty cents a bushel is imposed under this law on every transaction described in it. Every sensible man knows that such a tax as that will absolutely preclude every such transaction. Twenty cents a bushel is more than the whole fluctuation in the price of wheat during any twelve months on an average; and everybody knows that a law which imposes a tax of twenty cents a bushel on a transac-

tion on which as a rule there is not more than one cent a bushel profit either way, is designed to destroy the transaction. Does anybody imagine that the courts won't see through such a subterfuge as that?

Now, there are a class of people in our country vitally opposed to what they consider the greatest evil of modern times, liquor drinking and liquor selling. They will go to any length to suppress that traffic. But there is not one of them who has ever looked into the question who has dared to come to Congress and ask them to pass a law for its suppression. They know that Congress has no jurisdiction whatever in the premises. And they have no more jurisdiction or power over the question of the selling of grain than they have over the question of the selling of liquor, and no more right to impose a license upon a citizen to sell grain for present or future delivery, than they have to sell liquor. Only by an amendment to the Constitution of the United States can such a power be conferred on Congress. I therefore confidently expect, Mr. Chairman, that the distinguished Senators who compose this Committee will turn down this bill the first moment they consider that.

And now as to whether the courts will look into this question. I simply want to quote one opinion. In the first place I want to say that the courts of the United States have sustained this system as legitimate and lawful, and subject to the protection of the laws. Now as to whether the courts will go behind the surface of such legislation as this to ascertain the real purpose, I beg to refer to the opinion in Mugler *vs.* Kansas, 125 U. S., where it was decided that "Judicial tribunals were not to be misled by mere pretenses and "were under a solemn duty to look at the substance of things "whenever it became necessary to inquire whether legislation had "transcended the limits of its authority. If, therefore, a statute "purporting to have been enacted to protect the public health, "public morals or public safety, has no real or substantial relation "to these objects, or is a palpable invasion of the rights secured "by the fundamental law, it is the duty of the courts so to adjudge "and thereby give effect to the Constitution."

MR. WASHBURN: What is the difference in principle from levying a tax of ten per cent. on State currency?

MR. RAYMOND: That was incident to the power of this government to raise money by laws to preserve its own existence.

MR. WASHBURN: It was done for the purpose of wiping out State and giving place to National currency.

MR. RAYMOND: It was done for the purpose of providing money for the preservation of the national existence. Is there any pretense of that kind here?

MR. WASHBURN: That law was passed in order to give us uniform National currency, instead of having various kinds of State currency.

MR. RAYMOND: That law was passed as incident to the right of the Government of the United States to preserve itself by borrowing money.

MR. WASHBURN: That was done with reference to the National currency, with greenbacks.

MR. RAYMOND: I understand that; but it was done for the purpose of finding a place in which to sell bonds on which the National currency was to be based, for the preservation and defense of this Union. But has any department of the Government come to this Congress and asked for an increase of revenue? It is a subterfuge too plain for discussio

THE CHAMBER OF COMMERCE OF THE STATE OF NEW YORK.

Meeting of Thursday, March 3, 1892.

The Committee on Internal Trade and Improvements, to whose attention was brought a request from the New York Cotton Exchange to join in a protest against three bills which have been recently presented to Congress, viz.: House bill No. 2699, by Mr. Hatch, of Missouri; Senate bill No. 685, by Mr. Washburn, and Senate bill No. 1268, by Mr. Peffer, reported as follows through Chairman Louis Windmuller:

It appears to have been the mistaken notion of the framers that they could benefit producers as well as consumers if they throw obstacles in the way of dealers, to sell what they do not own and buy what they do not need. They evidently believe that such sales and purchases tend unnaturally to depress or advance values. They seem to forget that these so called speculators must deliver what they have sold and pay for what they bought. The price of cotton is low, not because it was sold short, but because the production is large and consumption is small. When a manufacturer is anxious to secure raw material for future orders, which are offered to him at a time when cotton on the spot commands a higher price than he can pay, the middleman, who anticipates a reduction of values, comes forward and agrees to furnish it at a figure which enables the mill owner to close contracts for the fabrics demanded by his customers. Breadstuffs are high, not because they were bought for a rise, but because they are needed by nations whose crops have been a failure. An exporter receives an order to forward at certain limits, when navigation opens, to a port on the Baltic Sea, a cargo of corn. It is unobtainable and not wanted for immediate delivery. The dealer in futures steps in and agrees to furnish to the exporter what he wants at the time when he needs it.

It is indisputable that such dealers have become useful factors in the general development of commerce ever since it has assumed large proportions. They take risks by which future wants are provided in our home market as well as in foreign countries. When

they overstep the limits of prudence, they are the sufferers, rather than producers and consumers. A combination of such men is not powerful enough to control prices of the great staples of this country beyond their natural level, so as to cause serious injury.

But even if the public should occasionally suffer because the markets have been forestalled, your committee does not believe that the course provided by these bills furnishes a proper remedy for the evil. Past experience shows that legislation will only do harm when it tries to interfere with the natural laws of trade.

Your committee therefore recommend that this Chamber join the Cotton Exchange and the other commercial bodies throughout the country in a protest against the passage of these bills, as they would injure the best interests of the community.

On motion the following resolutions were unanimously adopted :

Whereas, There has been introduced in the Senate of the United States by Senator WASHBURN, of Minnesota, bills known as S. 685 and S. 1757, and in the House of Representatives by Representative HATCH, of Missouri, a bill known as H. R. 2699, levying a tax on purchases and sales for future delivery of cotton and all hog products of five cents per pound, and on wheat, corn, oats, barley and other grain of twenty cents per bushel; and

Whereas, Should any one of these be enacted into law the result would be the suppression of trading in this country in what is known as contracts for future delivery of the articles mentioned, to the great detriment of all persons engaged in their growing, handling or consuming:

Resolved, That the Chamber of Commerce of the State of New York hereby enters its solemn protest against the enactment into law of any of the before mentioned bills now before Congress, or of any other bill or bills of similar purport.

Resolved, That this Chamber hereby expresses its condemnation of any attempt on the part of Congress to enact laws for the supposed benefit of one portion of the community as against another.

Resolved, That whatever the asserted evils may be incident to this method of doing business, it affords a measure of security and protection to legitimate traders as well as to the producers of the articles named that is not to be disregarded.

Resolved, That it is the opinion of this Chamber that no good can result to the agricultural interest of the country by any legislation that curtails and restricts free and untrammeled trading.

Resolved, That the great law of supply and demand regulates values of everything, and that no particular system of trading can ever more than temporarily, if at all, obstruct its full operation; that this inexorable law always has and always will operate whether a man sells what he does not possess in the hope of securing it at a later period at a less price or not, and that any effort having in view the abolition of "short selling," if enacted into law, would not only fail to secure the imaginary benefits sought, but would be productive of incalculable injury to legitimate business interests while this fact is in process of being determined.

Resolved, That a copy of this protest be forwarded to each Senator and Representative in Congress.

GEO. WILSON,
Secretary.

NEW ORLEANS BOARD OF TRADE, LIMITED.

NEW ORLEANS, January 7th, 1892.

MR. M. C. FLOWER,
President New Orleans Cotton Exchange.

Dear Sir: It is my pleasure to transmit to you the following resolutions adopted by our Board of Directors in session this day:

Resolved, That the New Orleans Board of Trade, Limited, earnestly invokes the aid of the Senators and Representatives in Congress, from Louisiana, towards the defeat of the bill recently introduced into the United States Senate by Mr. Washburn, of Minnesota, entitled "A bill defining options in futures and imposing special taxes on dealers therein," etc., etc.

Resolved, That the passage of such a law will not only seriously interfere with the commerce of the United States, but alter existing modes and methods of doing business to the serious detriment of our people. To prohibit dealings in futures, where delivery of goods or merchandise is contemplated, can effect no benefit to either producer or consumer, and if persisted in, must place us, as a people and a nation, at a serious disadvantage compared with other nations; that should we be cut off from the modern method of doing business on this side of the Atlantic, it will not effect similar changes in the great commercial and money centres abroad, and the result will be to largely place the control of our markets under foreign centres.

Resolved, That this Board of Trade endorses the efforts of the New Orleans Cotton Exchange to secure adverse action on the Washburn bill as far as cotton is concerned, and that, as the representatives of the grain and produce interests of this section, they are of opinion that the adoption of said bill will place this and all other communities at a serious disadvantage, forcing us back a century behind the present age, and accomplishing no good, if, indeed, it does not work a serious injury to the interests of both farmers and planters.

Resolved, That, in our opinion, the best interests of the farmer and planter are to secure all possible competition for their products, and that any interference with the modern methods of transacting business, will undoubtedly curtail such competition.

We are forwarding copies of the above to Louisiana's Senators and Representatives in Congress to-day and urging their action in accordance therewith.

Very respectfully,
(Signed) HY. H. SMITH,
Secretary.

SAVANNAH COTTON EXCHANGE.

At a meeting of the Board of Directors of the Savannah Cotton Exchange, held this day, it was the unanimous sense of the Board that, House Bill No. 2699, introduced by Representative Hatch of Missouri, Senate Bill No. 685, introduced by Senator Washburn of Minnosota, and Senate Bill No. 1268, introduced by Senator Peffer, of Kansas, if passed would be of very great injury to the agricultural and commercial industries of the country by prohibiting the convenient and necessary method of dealing in futures, and I was directed to request our Senator and Representatives in Congress, to vote and use their influence against the passage of said bills.

Very respectfully,

(Signed) J. F. MINIS,
President.
J. P. MERRIHEW,
Sec'y & Sup't.

SAVANNAH, GA., February 18th, 1892.

THE MOBILE COTTON EXCHANGE.

To Senator G. F. HOAR,

Chairman, Judiciary Committee, United States Senate.

The Mobile Cotton Exchange desires to protest against the passage of the Bill introduced in the U. S. Senate on December 14th, 1891, and known as the Washburn Bill, for prohibiting dealings in contracts for future delivery of cotton, grain, etc.

In the opinion of this Exchange the passage of said bill will seriously interfere with the marketing and financing of the American cotton crop.

The system of contracts for future delivery of cotton as conducted upon the Exchanges of New York and New Orleans affords facilities for handling the crop which cannot be dispensed with.

The passage of the bill in question or any similar measure will have the effect of transferring to the European Exchanges an immense volume of business, with the result of serious inconvenience and greatly increased cost to the American dealer and shipper.

It is the opinion of this Exchange that while the course of prices is ultimately regulated by the great law of supply and demand, the system of contracts for future delivery exercises a beneficial effect upon values rather than the contrary and tends to steady and sustain them, inasmuch as it affords facilities for relieving the congested conditions often attendant upon the rapid marketing of the great staple products of the country due to the present greatly improved transportation facilities and the necessities of the producer. Any evils which may be attendant upon the custom of dealing in contracts for future delivery are traceable to the individual, not to the system, and are much more than offset by the benefits derived therefrom by the producer and the legitimate dealer in the product.

[SEAL]

Signed { L. C. FRY,
E. HOLZBORN,
BENJ. RHETT,

Special Committee
Mobile Cotton Exchange.

MOBILE, ALA., Jan'y 11th, 1892.

MEMPHIS COTTON EXCHANGE.

Copy of letter sent to Members of Congress:

MEMPHIS, TENN., Feb. 12, 1892.

Dear Sir: At a meeting of the Board of Directors of the Memphis Cotton Exchange, held on the 10th instant, careful consideration of the Washburn, Hatch and Peffer bills, defining "options" and "futures," now pending in Congress, were considered and fully discussed. The Memphis Cotton Exchange does no business in "options" and "futures," but the board was unanimously of the opinion that the passage of either of those bills into a law would seriously damage the commercial and producing interests of the country. In fact it is difficult to see how, without future sales, farmers and manufacturers would be able to move or dispose of their large products in any reasonable time, being left alone to the slow process of present demand and consumption. The dealing in "options" and "futures," like nearly every other business, is not entirely free from objections or evils, but the benefits derived from the practice enabling the producer to promptly market his products and thereby meet his obligations on time, largely outweigh all opposing considerations.

The above views almost unanimously reflect the opinion of the Memphis Cotton Exchange, and you are earnestly requested to lend your opposition to all bills looking to the prevention of dealing in "futures" and "options," if, after an examination of the question, you can consistently do so.

Yours very truly,

H. M. NEELY,

President Memphis Cotton Exchange.

HOUSTON COTTON EXCHANGE AND BOARD OF TRADE.

HOUSTON, TEXAS, Dec. 30, 1891.

To the Senate and House of Representatives in Congress assembled:

The Houston Cotton Exchange and Board of Trade have had their attention called to a bill introduced at this session of the United States Congress in the Senate thereof and known as the Washburn bill, for preventing dealings in options.

Without discussing the matter as to whether prices are influenced favorably or otherwise, but expressing the opinion that the influence exerted by dealing in futures, is a benefit to prices generally, we desire to say, that a very large amount of business is now conducted where futures play an important part in protecting legitimate commerce, and enabling merchants to sell the actual product for future shipments, which is all for the convenience of manufacturers, which as prudent business men they would probably not be willing to do but for their ability to hedge themselves with future contracts for cotton.

Should the Washburn bill become a law, it will entirely do away with such dealings in the United States, and the consequence will be, that the entire volume of business of this description, which has grown to very large proportions, will be transferred from this country to England, France and Germany, whereby a large amount of money will be paid to those countries for performing the services which we can have done more promptly, satisfactorily and cheaply at home. This Exchange, therefore, desires most respectfully to protest against the passage of the Washburn bill.

(Signed) H. W. GARROW,
President.

GREENVILLE COTTON EXCHANGE.

At a meeting of the Cotton Exchange of Greenville, Mississippi, held this 15th of February, 1892, it was unanimously

Resolved, That this Exchange regards the Washburn bill (so called), now before the National Congress, as a menace to the best interests of the cotton planters of this country. This Exchange, although not so large as many others in the country, claims to represent more directly the interests of the cotton planters than any other, a large proportion of its members being among the largest planters of the cotton belt.

Resolved, That we consider the method of buying and selling cotton for future delivery, now recognized all over the world as an important part of the regular cotton trade, to be a regulator and not a disturber of values, and in its practical operation enables the planter to obtain at all times a fair value for his crops, as established by prospective supply and demand.

Resolved, That the view apparently entertained by some of the members of the Agricultural Committee of the House of Representatives, that dealing in cotton for future delivery is a gambling contract, is an erroneous one; but, on the contrary, is, in the present era of rapid communication and transit, the legitimate outcome of modern methods and, if suppressed by legislation in this country, will be vastly increased in England and Europe, to the serious injury of planting, manufacturing and commercial interests in this country.

Resolved, That a copy of these resolutions be sent members of Congress from the various cotton States and extensively circulated among the planters of Mississippi.

(Signed) N. GOLDSTEIN, *President.*
E. BOURGES, *Secretary.*

NEW YORK BANKS AND BANKERS.

NEW YORK, February 4th, 1892.

To the Hon. The House of Representatives of the United States:

The undersigned, engaged in the Banking business in the City of New York, believe that if House of Representatives' Bill, No. 2699, now before your Honorable body, taxing purchases and sales of cotton, grain and hog products for future delivery, becomes a law it will do great damage to the business in those articles, and work a serious injury to producers.

That, as Bankers, we consider our risk in advancing on such property, very much less than was the case prior to the inauguration of the present method of doing business.

We therefore earnestly protest against the passage of this measure, and trust that no legislation in this direction may be approved by your Honorable body.

JAS. T. WOODWARD,
President, Hanover National Bank.

J. EDWARD SIMMONS,
President, Fourth National Bank.

WARNER VAN NORDEN,
President, National Bank of North America

ARTHUR B. GRAVES,
President, St. Nicholas Bank.

JAMES STILLMAN,
President, National City Bank.

A. E. ORR,
Vice-Pres. Mechanics' National Bank.

FOREST H. PARKER,
President, New York Produce Exchange.

CHARLES M. FRY,
President, Bank of New York, N. B. A.

R. M. GALLAWAY,
President, Merchants' National Bank.

H. ROCHOLL,
President, German American Bank.

W. W. FLANNAGAN,
President, Southern National Bank.

W. A. Nash,
President, Corn Exchange Bank.

J. H. Parker,
President, United States National Bank.

Jno. B. Woodward,
President, Third National Bank.

W. W. Sherman,
President, National Bank of Commerce.

W. H. Perkins,
President, Bank of America.

R. L. Edwards,
President, Bank of the State of New York.

E. H. Perkins, Jr.,
President, Importers' and Traders' National Bank.

H. W. Cannon,
President, Chase National Bank.

J. K. Cilley,
President, Ninth National Bank.

D. C. Hays,
President, Manhattan Company.

George Bliss,
Of Morton, Bliss & Co., Bankers.

Ladenburg, Thalmann & Co.,
Bankers.

Knauth, Nachod & Kuhne,
Bankers.

Lazard Freres,
Bankers.

Baring, Magoun & Co.,
Bankers.

Brown Bros. & Co.,
Bankers.

J. & W. Seligman & Co.,
Bankers.

Heidelbach, Ickelheimer & Co.,
Bankers.

Kuhn, Loeb & Co.,
Bankers.

Blake Brothers & Co.,
Bankers.

NEW ORLEANS BANKS AND BANKERS.

New Orleans, December 30th, 1891.

To the Honorable, The House of Representatives and Senate of the United States of America, Washington, D. C.:

The undersigned, engaged in the banking business in the city of New Orleans, believe if Senate bill 685, "The Washburn Bill," taxing purchase and sale of cotton, grain and hog products, becomes a law, that it will do immense damage to the business in those articles, reduce stability in values, and work great injury; and that, as bankers, we consider our risk in advancing on such property very much less than was the case prior to the inauguration of the present mode of doing business. Therefore, we must respectfully protest against the passage of the bill:

N. B. Sligh,
President, Southern National Bank.

R. M. Walmsley,
President, Louisiana National Bank.

C. Kohn,
President, Union National Bank.

A. Baldwin,
President, New Orleans National Bank.

George R. Preston,
President, Hibernia National Bank.

G. W. Nott,
President, Citizens' Bank of Louisiana

L. C. Fallon,
President, Mutual National Bank.

Chas. F. Hoffman,
Bankers and Exchange.

H. Maspero,
President, Traders' Bank.

James T. Hayden,
President, Whitney National Bank.

H. Gardes,
President, American National Bank.

W. P. Nicholls,
President, Bank of Commerce.

N. Landry,
President, Peoples' Bank of New Orleans.

IERRE LANAUX,
President, State National Bank.

J. C. MORRIS,
President, New Orleans Canal and Banking Co.

G. AD. BLAFFER,
Cashier, Germania Savings Bank.

JOS. L. BOURDETTE.

FRED. PETERS,
President, Metropolitan Bank.

GILBERT H. GREEN.

GERMANIA NATIONAL BANK,
J. C. Denis, President.

MOORE, HYAMS & CO.

ISIDORE NEWMAN, SR.

BERTUS & DUREL.

CHICAGO BANKS AND BANKERS.

CHICAGO, ILL., Feb'y 4, 1892.

To the Congress of the United States:

The undersigned hereby respectfully and urgently protest against the enactment of Senate Bill No. 1757, "defining options and futures," and known as the Washburn Bill.

We believe that the passage of any such bill would be not only seriously detrimental to the agriculturalist, but would be of incalculable injury to the manifold industries of the entire country, inasmuch as these industries depend for their profitable prosecution upon that system of buying and selling for future delivery, which the Washburn Bill would destroy.

We believe the dealings in futures in grain and hog product, as regulated by the Board of Trade of the City of Chicago, and similar exchanges, based on the actual delivery of the commodity traded in, are the highest development, after years of experience and labor, of the best system of handling the enormous crops of this country to the most profitable advantage of the producer.

This system affords an open market on which the world's competition can meet in establishing values without the limitations and restrictions which an exclusively consumptive demand would impose.

Its daily declaration of values is the analysis of the world's product and requirement, and reduces to the minimum the risk of those engaged in handling the crops, thereby securing to the producer the highest bids at all times.

By this system our merchants yearly advance millions of money for the cribbing and warehousing of grain throughout the country, which, without the protection of the present market would not be done.

To destroy this system, as contemplated by the Washburn bill, would reduce the circulation of money when most needed to move the crops, would greatly restrict credits owing to uncertainty of values, practically drive the small grain merchants from the field and concentrate the business of handling the products, herein

referred to in the hands of wealthy corporations and syndicates of warehousemen and millers.

CORN EXCHANGE BANK,
By Ernest A. Hamill. Vice-President.

ILLINOIS STATE SAVINGS BANK,
By J. J. Mitchell, President.

BANK OF MONTREAL, CHICAGO, ILL.,
By William Munro, Manager.

UNION NATIONAL BANK,
By August Blum, Cashier.

THE NORTHWESTERN NATIONAL BANK OF CHICAGO,
By E. Buckingham, President.

THE METROPOLITAN NATIONAL BANK,
By E. J. Keith, President.

THE ATLAS NATIONAL BANK,
By C. B. Farwell, Vice-President.

MERCHANTS' NATIONAL BANK,
By C. J. Blair, President.

THE MERCHANTS' LOAN AND TRUST CO.,
By J. W. Doane, President.

THE COMMERCIAL NATIONAL BANK OF CHICAGO,
By H. F. Eames, President.

THE AMERICAN TRUST AND SAVINGS BANK,
By G. B. Shaw, President.

FORT DEARBORN NATIONAL BANK,
By John A. King, President.

AMERICAN EXCHANGE NATIONAL BANK,
By John B. Kirk, President.

THE UNION TRUST COMPANY OF CHICAGO,
By S. W. Rawson, President.

THE NATIONAL BANK OF ILLINOIS,
By Geo. Schneider, President.

HIBERNIAN BANKING ASSOCIATION,
By J. V. Clark, President.

FIRST NATIONAL BANK OF CHICAGO,
By R. J. Street, Cashier.

CONTINENTAL NATIONAL BANK,
By John C. Black, President.

THE COLUMBIA NATIONAL BANK,
By Z. Dwiggins, Cashier..

THE GLOBE NATIONAL BANK,
By D. A. Moulton, Cashier.

ROYAL TRUST COMPANY,
By J. B. Wilbur, Cashier.

NATIONAL BANK OF THE REPUBLIC, CHICAGO, ILL.,
By John A. Lynch, President.

THE HIDE AND LEATHER NAT. BANK, CHICAGO, ILL.,
By Chas. F. Grey, President.

THE NORTHERN TRUST COMPANY,
By Byron L. Smith, President.
NATIONAL BANK OF AMERICA,
By Morton B. Hull, Vice-President.
BANK OF COMMERCE,
By H. Felsenthal, President.
COMMERCIAL LOAN AND TRUST COMPANY,
By James B. Hobbs, Presiden..
CHEMICAL NATIONAL BANK, CHICAGO, ILL.,
By G. E. Hopkins, Cashier.
FRANKLIN MACVEAGH,
MARSHALL FIELD,
SPRAGUE, WARNER & CO.,
LORD, OWEN & CO.,
MARKLEY, ALLING & CO.,
PITKIN & BROOKS,
REID, MURDOCK & CO.,
W. M. HOYT & CO.,
KELLEY, MAUS & CO.,
M. D. WELLS & CO.,
SELZ, SCHWAB & CO.,
PHELPS, DODGE & PALMER,
BUTLER BROTHERS,
CARSON, PIRIE, SCOTT & CO.,
JAMES H. WALKER & CO.,
HY. W. KING & CO.,
C. M. HENDERSON & CO.,
SWEET, DEMPSTER & CO.,
WELLS & NELLEGAR CO.,
HIBBARD, SPENCER, BARTLETT & CO.,
MCCORMICK HARVESTING MACHINE CO.,
FRAZER & CHALMERS,
WARDER, BUSHNEL & GLESSNER CO.